



VISION

A prosperous, sustainable and community-oriented city

MERA FONG CITY LOCAL MUNICIPALITY

MEDIUM TERM BUDGET 2017/2018 TO 2019/2020

MISSION

**To provide quality services to our community through
accountable governance**

ITEM: MEDIUM TERM BUDGET 2017/2018 TO 2019/2020

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1.1 Purpose

The purpose of this document is to table the 2017/18 to 2019/2020 Medium Term Budget and budget related policies for approval.

The Budget has been compiled within the framework of the MFMA, Circulars No 85 and 86 of the National Treasury and the New Municipal Budget Regulations.

Circulars No 85 and 86 provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their budgets. These issues include the local response to the global economic crisis, headline inflation forecasts, revision of rates, tariffs and other charges, transfers to municipalities, budget process and submissions, and the Municipal Budget and Reporting Regulations.

PART 1 - ANNUAL BUDGET

1.2 Executive Summary

The application of sound financial management principles for the compilation of the Councils financial plan is essential and critical to ensure that the Council remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Councils business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

With the introduction of the new equitable share formula and the updated 2011 Census data used in the formula, the municipality experience large and material changes in its equitable share allocations.

To soften the impact of these changes and give Council time to adjust to the reduced allocations it was decided that these changes will be phased in over a period of five years. It's for the first time in five years that there is an increase in the Equitable share allocation.

The outcome of the Valuation Appeal Board and the liquidation of Blyvooruitzicht mine had a serious effect on council's cash flow and ability to render the same level of services to the community of Merafong.

This has, over the years, subsequently negatively affected council's ability to reduce service delivery backlogs. Programs planned for the outer years had to be cut back and reprioritised.

Council has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Council has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people led government.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The amendments to the mines valuations and the liquidation of Blyvooruitzicht mine.
- Ageing and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope;
- The increased cost of bulk water (due to tariff increases from Rand Water), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/18 MTREF process;
- Availability of affordable capital/borrowing as council will not be in a position to borrow additional funding.

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- Producing a Balanced Budget – ensuring that the expenditure is aligned to the revenue and that the Council has sufficient cash to meet its debt obligations. Council will not be in a position to table a balance budget for the 2017/18 MTREF
- Sustainability – ensure that the capital investment is within the financial capacity of Council and ensure that there is continuous investment on the infrastructure maintenance and replacement in a medium to long term period.
- Budget needs to respond to basic service delivery.
- Stabilise the balance sheet – creating cash reserves to support and improve the current ratio and future capital investment capacity. Due to the current financial position of council no cash reserves will be created.
- Stabilisation and protection of the revenue base.
- Need to produce savings to facilitate the implementation of new programmes.
- On-going costs should be funded with on-going revenues – aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained and reduce reliance on onetime funding.
- Review all Council services and programs for operational efficiencies to improve service levels and delivery / managing the cost down.
- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- With the amendments to the mines valuations, and the large increase in Bulk Water, General Expenses and Repairs and Maintenance will have to be curtailed. No funds are available for Capital projects funded from Revenue.
- An upper limit must be set for the following items and allocations. They must be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Telephones costs.
 - The management of the fleet and usage of vehicles.
 - The management of safety clothes.
 - Furniture and Equipment
 - Computer equipment.
 - Overtime
- The following expenditure will not be catered for due to the financial situation of council:
 - Entertainment,
 - Travel and Subsistence,
 - Attendance of Conferences,
 - Catering at meetings,
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/2018 MTREF

R thousand	Adjustment Budget 2016/17	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Total Operating Revenue	1,136,842	1,300,099	1,375,167	1,424,943
Total Operating Expenditure	1,399,216	1,489,383	1,552,701	1,607,228
Surplus / (Deficit) for the Year	(262,374)	(189,284)	(177,534)	(182,285)
Total Capital Expenditure	151,929	124,299	115,222	138,132

Total operating revenue has increased by 14.36 per cent or R163.3 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by R75.1 and R49.8 Million respectively, equating to a total increase in revenue of R288.1 million over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R1,489.4 billion and translates into a budgeted deficit of R189 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has increased by R90.1 Million or 6.4 per cent in the 2017/18 budget and increase by R63.3 and Million R54.5 Million for each of the respective outer years of the MTREF. The operating deficit for the two outer years will decrease for the two outer years. These deficits will be funded from the accumulated surpluses.

The capital budget of R124.3 Million for 2017/18 is 18.2 per cent less when compared to the 2016/17 Adjustment Budget. Note that the Council has reached its prudential borrowing limits and so there is no scope to increase these borrowing levels over the medium-term.

Municipal Infrastructure Grant which had decreased for the past five years will for the first time increase in the 2017/18 financial year.

The valuation appeal processes were completed. The valuation appeal board had ruled that that the valuations of the mines be amended. It had serious implications for council. Council is applying for a review of the Valuation Appeal Boards 2014 outcome.

The mining houses made certain proposals during the appeal process pertaining to the SV5 relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enables the municipality to significantly increase the existing value of **R1, 8 billion** on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being set off against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation (SV5) that is to be drafted in a particular format as agreed with the mining houses.

The above mentioned aspects have impeded council's ability to render an acceptable level of services to its communities. Programs planned for the outer years had to be cut back and reprioritised thereby increasing the backlogs.

1.3 Operating Revenue Framework

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Council and continued economic development;
- Efficient revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

Table 2 Summary of Revenue classified by main source

GT484 Merafong City - Table A4 Budgeted Financial Performance
(revenue and expenditure)

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue By Source								
Property rates	267,771	190,456	202,539	227,028	165,204	176,768	185,623	196,761
Service charges - electricity revenue	213,867	220,162	252,958	282,810	282,810	295,604	319,253	344,793
Service charges - water revenue	235,800	237,782	253,089	291,482	272,000	314,971	340,168	360,578
Service charges - sanitation revenue	25,230	26,453	30,404	43,408	41,300	52,385	56,576	59,971
Service charges - refuse revenue	38,543	51,156	54,973	59,866	59,866	66,473	71,791	76,098
Service charges - other	603	786	818	837	1,230	1,304	1,408	1,493
Rental of facilities and equipment	1,293	1,189	1,381	1,172	1,172	1,267	1,343	1,424
Interest earned - external investments	16,863	8,194	5,602	2,786	5,600	2,786	2,786	2,953
Interest earned - outstanding debtors	34,507	44,447	55,744	55,055	78,414	79,690	84,367	91,114
Dividends received					–			
Fines, penalties and forfeits	17,237	17,109	13,496	3,008	5,433	5,759	6,105	6,471
Licences and permits	12,859	7,798	11,411	41,060	37,000	40,000	42,400	44,944
Agency services					–			
Transfers and subsidies	345,404	311,562	203,183	206,523	183,165	251,910	251,495	225,780
Other revenue	10,816	30,074	4,804	20,955	3,649	11,182	11,853	12,564
Gains on disposal of PPE				830	–			
Total Revenue (excluding capital transfers and contributions)	1,220,794	1,147,170	1,090,403	1,236,819	1,136,842	1,300,099	1,375,167	1,424,943

Table 3 Percentage growth in revenue by main revenue source

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	% Increase	2016/2017	% Increase	2017/2018	% Increase	2018/2019	% Increase
<u>Revenue By Source</u>								
Property rates	165,204	-18.43%	176,768	7.00%	185,623	5.01%	196,761	6.00%
Property rates - penalties & collection charges								
Service charges - electricity revenue	282,810	11.80%	295,604	4.52%	319,253	8.00%	344,793	8.00%
Service charges - water revenue	272,000	7.47%	314,971	15.80%	340,168	8.00%	360,578	6.00%
Service charges - sanitation revenue	41,300	35.84%	52,385	26.84%	56,576	8.00%	59,971	6.00%
Service charges - refuse revenue	59,866	8.90%	66,473	11.04%	71,791	8.00%	76,098	6.00%
Service charges - other	1,230	50.29%	1,304	6.00%	1,408	8.00%	1,493	6.00%
Rental of facilities and equipment	1,172	-15.18%	1,267	8.14%	1,343	6.00%	1,424	6.00%
Interest earned - external investments	5,600	-0.04%	2,786	-50.26%	2,786	0.00%	2,953	6.00%
Interest earned - outstanding debtors	78,414	40.67%	79,690	1.63%	84,367	5.87%	91,114	8.00%
Fines	5,433	-59.75%	5,759	6.00%	6,105	6.00%	6,471	6.00%
Licences and permits	37,000	224.26%	40,000	8.11%	42,400	6.00%	44,944	6.00%
Transfers recognised - operational	183,165	-9.85%	251,910	-1.33%	251,495	12.25%	225,780	8.84%
Other revenue	3,649	-24.04%	11,182	206.43%	11,853	6.00%	12,564	6.00%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	1,136,842	4.26%	1,300,099	14.36%	1,375,167	5.77%	1,424,943	3.62%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 70.8 percent of the total revenue mix. In the 2017/18 financial year, revenue from rates and services charges totalled R974.8 Million. A slight decrease in the total percentage revenue generated from rates and services charges which decreases from 73 per cent in 2016/17 to 71 per cent in 2017/18. This decrease can be mainly attributed to the increase in Grants allocated to council. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Operating grants and transfers totals R206.5 million in the 2016/17 financial year and increases to R251.9 in 2017/18 and increases to R251.5 Million by 2018/19 and R225.8 Million in 2019/20.

With the introduction of the new equitable share formula and the updated 2011 Census data used in the formula, Merafong will experience large and material changes in its equitable share allocations. To smooth the impact of these changes and give Council time to adjust

the new allocations it will be phased in over five years. It's for the first time in five years that there is an increase in the Equitable share allocation.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		183,579	182,807	173,125	167,301	168,765	168,765	170,990	192,884	209,580
Local Government Equitable Share		181,074	178,319	168,320	162,952	162,952	162,952	163,084	186,186	203,851
Finance Management		531	1,600	1,600	1,625	1,625	1,625	1,700	1,700	1,960
Municipal Systems Improvement		454	934	930	1,300	-	-	1,365	1,433	
EPWP Incentive		1,520	1,954	2,275	1,424	1,424	1,424	1,470		
Municipal Infrastructure Grant (MIG)						2,764	2,764	3,371	3,565	3,769
Other transfers/grants [insert description]										
Provincial Government:		15,038	94,144	28,573	39,222	14,400	14,400	80,920	58,611	16,200
Housing		10,127	85,444	18,670	26,300	-	-	64,919	43,110	
Department of Sports, arts, culture and recreation		4,910	5,845	9,903	11,422	12,900	12,900	15,001	15,001	16,200
Agricultural and Rural Development			2,855			-	-			
EPWP Incentive					500	500	500	500		
Department of Cooperative Governance and Traditional Affairs					1,000	1,000	1,000	500	500	
District Municipality:		1,457	1,415	1,732	-	-	-	-	-	-
HIV Programme		1,457	1,415	1,732						
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	200,074	278,366	203,430	206,523	183,165	183,165	251,910	251,495	225,780
Capital Transfers and Grants										
National Government:		88,732	67,929	70,769	98,283	95,519	95,519	94,057	113,733	136,613
Municipal Infrastructure Grant (MIG)		66,732	57,929	56,008	55,283	52,519	52,519	64,057	67,733	71,613
National Electrification Programme		22,000	10,000	10,000	15,000	15,000	15,000	10,000	16,000	30,000
Department of Sports, arts, culture and recreation						-	-			
Department of Water and Sanitation					8,000	8,000	8,000			
Energy Efficiency and Demand Side Management						-	-			
Municipal Water Infrastructure grant				4,761	20,000	20,000	20,000	20,000	30,000	35,000
Provincial Government:		-	39,727	68,796	47,813	26,282	26,282	26,282	-	-
Human Settlement Grant		-	39,727	63,896	47,813	26,282	26,282	26,282		
Dept Water and Sanitation				4,900						
District Municipality:		-	-	-	-	-	-	-	-	-
HIV Programme										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	88,732	107,656	139,566	146,096	121,801	121,801	120,339	113,733	136,613
TOTAL RECEIPTS OF TRANSFERS & GRANTS		288,806	386,022	342,995	352,619	304,966	304,966	372,249	365,228	362,393

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Rand Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's tariffs are largely outside the control of council. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the City has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates should cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The mines appeal processes are now completed. The valuation appeal board had ruled that that the valuations of the mines be amended. It had serious implications for council. Council is applying for a review of the outcome of the valuation Appeal Board.

The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enable the municipality to significantly increase the existing value of **R1, 8 billion** on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being set off against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation (SV5) that is to be drafted in a particular format as agreed with the mining houses.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for pensioners for the 2017 / 2018 financial year as follows:	% Rebate
Gross Annual Household Income 2017/2018	
R 1 To R 76 000	100%
R 76 001 to R 80 000	75%
R 80 001 to R 84 000	50%
R 84 001 to R 88 000	25%
R 88 001 and above	0%

Table 5 Comparison of proposed rates to be levied for the 2017/18 financial year

Category	Current Tariff 2016/2017	Percentage Increase	Proposed Tariff 2017/2018
Residential	0.013	7.00%	0.0139
Industrial	0.0312	7.00%	0.0334
Business and Commercial	0.0312	7.00%	0.0334
Farms - Agriculture	0.00325	7.00%	0.0035
Mines	0.039	7.00%	0.0417
PSI	0.00325	7.00%	0.0035

1.3.2 Sale of Electricity and Impact of Tariff Increases

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA), issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year.

The statement also says that, *"Nothing prevents Eskom from considering any possible cash flow risks and the implications thereof on its financial sustainability and make an application to NERSA for relief in this regard should it consider it necessary."*

Section 42 of the MFMA requires that bulk price increases charged to municipalities by an organ of state must be tabled by 15 March if they are to be effected as from 1 July of the same year, unless the Minister of Finance grants an extension. The Minister of Finance, at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

Municipalities had not received the tariff guidelines from NERSA. Council will not be able to increase its tariffs in line with the Eskom increase. Council had examined the cost structure

of providing electricity services and will apply to NERSA for electricity tariff increases that reflect the total cost of providing the service to achieve fully cost-reflective tariffs that will help council to achieve financial sustainability.

Registered indigents will again be granted 50 kWh per 30-day period free of charge

Table 6 Comparison between current Electricity charges and increases.

Proposed Tariff Structure - Merafong City Local Municipality				
Tariff Category		Current 2016-2017	Proposed 2017-2018	% change
1. Domestic				
Basic Charge		69.85	75.44	8.00%
Energy Charge	Block 1 (0 - 50kWh)	0.84	0.88	5.00%
	Block 2 (51 - 350kWh)	1.08	1.14	6.00%
	Block 3 (351 - 600kWh)	1.52	1.61	6.00%
	Block 4 (above 600kWh)	1.79	1.92	7.00%
2. Commercial				
Basic Charge		798.10	845.99	6.00%
Energy Charge		1.45	1.54	6.00%
*Pre-Paid		1.49	1.58	6.00%
3. Industrial				
Basic Charge		1158.40	1227.90	6.00%
Energy Charge		0.89	0.94	6.00%
Demand Charge		210.60	223.24	6.00%
3. Industrial -3%				
Basic Charge		1158.40	1227.90	6.00%
Energy Charge - 3 %		0.89	0.94	6.00%
Demand Charge -3%		210.60	223.24	6.00%
Temporary Power		1.58	1.68	6.00%
Streetlights		0.88	0.94	6.00%
Council kWh		0.88	0.94	6.00%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption,

the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The recommended tariffs will benefit the poor as the lowest tariff increase will be 5%

The Council had already implemented block tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading and extension of the municipalities' electricity network has therefore become a strategic priority, especially the substations and transmission lines.

It needs to be mentioned in the event that NERSA approves an additional increase to Eskom that council will have to increase the tariffs to cover the additional increase as approved by the Minister of Finance.

1.3.3 Sale of Water and Impact of Tariff Increases

Rand Water had advised council that they will increase their water tariffs to municipalities by 10.2% from the 1 July 2017.

Water tariffs must be on aggregate fully cost-reflective – inclusive of bulk cost of water, the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure;

Water tariffs must be structured to protect basic levels of service; and
Water tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Merafong had implemented block tariffs in the past.

Council's water tariffs are not cost reflective due to the exorbitant water losses council experience. In addition consumers are still abusing water. Although Merafong water catchment area had received good rains, water remains a scarce commodity.

Other services cannot continuously subsidise water and therefore water tariffs will have to increase beyond the bulk increase from Rand Water. The increase for the poor will be in line with the bulk increase from Rand Water.

Table 7 Comparison between current Water charges and increases

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

		<u>2016-2017</u>	<u>2017-2018</u>	<u>Percentage increase</u>
Residential 0 – 15 kiloliters		10.30	11.00	6.75%
Residential 16-35 kiloliters		14.00	15.45	10.36%
Residential 36-50 kiloliters		20.30	25.00	23.15%
Residential 50 kiloliters and above		23.15	30.00	29.59%
Business and Industrial	200 Kiloliters and below	22.70	25.20	11.01%
	Above 200 Kiloliters	24.65	30.00	21.70%
Special Consumers (Schools, Churches and welfare organisations)	200 Kiloliters and below	17.15	18.90	10.20%
	Above 200 Kiloliters	19.25	25.00	29.87%
Departmental		15.10	16.70	10.60%
Mines Domestic		14.90	16.45	10.43%
Mines Operations		14.90	16.45	10.43%
Availability Charge	Vacant Stands - Residential	58.25	64.50	10.73%
Availability Charge	Vacant stands-business	58.25	64.50	10.73%

The tariff structure of the 2017/18 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R30.00 per kilo liter for consumption in excess of 50kℓ per 30 day period.

Water losses remain a serious challenge. The losses have a direct impact on council's tariffs and losses.

1.3.4 Sanitation and Impact of Tariff Increases

The proposed increase is not in-line with the guideline of 6% as the function is not cost reflective in 2017/2018 as councils tariffs are not fully cost reflective.

Sanitation tariffs must be on aggregate fully cost-reflective – inclusive of the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure;

Sanitation tariffs must be structured to protect basic levels of service; and Sanitation tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Merafong had implemented block tariffs in the past.

The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (6 kℓ water) will be applicable to registered indigents.

Table 8 Comparison between current Sanitation charges and increases

-		<u>2016-2017</u>	<u>2017-2018</u>	<u>% Increase</u>
Residential 0 – 15 kiloliters		4.70	5.00	6.38%
Residential 16-35 kiloliters		4.75	5.10	7.37%
Residential 36-50 kiloliters		4.80	5.20	8.33%
Max 50KL				
Business and Industrial	200 Kiloliters and below	4.80	5.20	8.33%
	Above 200 Kiloliters	5.35	5.80	8.41%
Special Consumers (Schools, Churches, Welfare organisations and consumers as approved by council)	200 Kiloliters and below	4.70	5.00	6.38%
	Above 200 Kiloliters	4.80	5.20	8.33%
Basic Charge (Payable by property owner)		26.90	50.00	85.87%
Basic Charge - Vacant Stands (Availability charge)		59.15	63.00	6.51%

1.3.5 Waste Removal and impact of Tariff Increases

It's of utmost importance that refuse removal must be cost reflective. Solid waste is not cost reflective for 2016/2017. Due to the rehabilitation of the landfill site the service is still not cost reflective.

Where this is the case, municipalities should aim to have appropriately structured, cost-reflective solid waste tariffs in place by 2017.

A further aspect that has a serious influence on solid waste tariffs is the rehabilitation of the landfill site. In addition due to the financial situation of council vacant posts are not filled and the current employees must work overtime to perform their tasks.

The tariffs for solid waste management must take into account that it is good practice to maintain a cash-backed reserve to cover the future costs of rehabilitating landfill sites.

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The City will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel, the cost of remuneration and the rehabilitation of the land fill site.

Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

The following table compares current waste removal fees and increases

Table 9 Comparison between current waste removal fees and increases

		<u>2016-2017</u>	<u>Proposed 2017/2018</u>	<u>% Increase</u>
Residential and Business	1 bin/week	140.00	155.00	10.71%
Business	Bin/3 x week	365.00	405.00	10.96%
Business	Bin/5 x week	615.00	680.00	10.57%
MMH (1.75M³) 1x per week		1,770.00	1,950.00	10.17%
MMH (1.75M³) 2x per week		3,065.00	3,380.00	10.28%
MMH (1.75M³) 3x per week		4,355.00	4,800.00	10.22%
MMH (1.75M³) 5x per week		7,885.00	8,700.00	10.34%
Bulk container (30M³) 1x per week		24,950.00	27,500.00	10.22%
Bulk container (30M³) 2x per week		38,015.00	42,000.00	10.48%
Bulk container (30M³) 3x per week		68,620.00	75,500.00	10.03%
Bulk container (30M³) 5x per week		111,815.00	124,000.00	10.90%
Temporary service	Per Bin	66.00	73.00	10.61%
Bulky waste	Per m³	310.00	340.00	9.68%
Special Exemption	Per m³	155.00	170.00	9.68%
Garden services waste	LDV/Trailer	45.00	50.00	11.11%
Small Animal Carcasses		120.00	132.00	10.00%
Bulky garden waste	1m³ - 3m³	295.00	325.00	10.17%
Bulky garden waste	3m³ and above	590.00	650.00	10.17%
Building rubble	per m³	310.00	342.00	10.32%
240 Liter Bins	Per Month for twelve months	24.00	26.50	10.42%

1.3.6 Overall impact of Tariff increases on Households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.3 and 11.9 per cent.

Table 10 MBRR Table SA14 – Household bills

GT484 Merafong City - Supporting Table SA14 Household bills

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent											
<u>Monthly Account for Household - 'Middle Income Range'</u>	1										
Rates and services charges:											
Property rates		507.21	540.17	577.99	619.13	619.13	619.13		662.46	702.21	744.34
Electricity: Basic levy		52.09	56.25	64.70	70.00	70.00	70.00		75.44	81.47	87.99
Electricity: Consumption		1,133.57	1,217.00	1,356.00	1,467.36	1,467.36	1,467.36		1,517.94	1,639.37	1,770.52
Water: Basic levy											
Water: Consumption		262.63	283.50	325.50	364.56	364.56	364.56		396.75	428.49	462.77
Sanitation		136.25	145.25	131.25	141.75	141.75	141.75		201.50	213.59	226.41
Refuse removal		90.00	120.00	130.00	140.00	140.00	140.00		155.00	164.30	174.16
Other											
sub-total		2,181.75	2,362.17	2,585.44	2,802.80	2,802.80	2,802.80	7.4%	3,009.09	3,229.43	3,466.19
VAT on Services		220.93	255.08	281.04	308.25	308.25	308.25		328.53	353.81	381.06
Total large household bill:		2,402.68	2,617.25	2,866.48	3,111.05	3,111.05	3,111.05	7.3%	3,337.61	3,583.25	3,847.25
% increase/decrease			8.9%	9.5%	8.5%	-	-	7.3%	7.3%	7.4%	7.4%
<u>Monthly Account for Household - 'Affordable Range'</u>	2										
Rates and services charges:											
Property rates		347.46	370.04	395.94	424.13	424.13	424.13		453.81	481.04	509.91
Electricity: Basic levy		52.09	56.25	67.40	70.00	70.00	70.00		76.85	83.00	89.64
Electricity: Consumption		464.57	499.00	551.00	595.08	595.08	595.08		605.90	654.37	706.72
Water: Basic levy											
Water: Consumption		212.34	229.00	263.00	294.56	294.56	294.56		319.50	345.06	372.66
Sanitation		117.00	124.75	109.25	118.00	118.00	118.00		176.00	186.56	197.75
Refuse removal		90.00	120.00	130.00	140.00	140.00	140.00		155.00	164.30	174.16
Other											
sub-total		1,283.46	1,399.04	1,516.59	1,641.77	1,641.77	1,641.77	8.9%	1,787.06	1,914.33	2,050.84
VAT on Services		131.04	144.06	156.89	171.51	171.51	171.51		186.66	200.66	215.73
Total small household bill:		1,414.50	1,543.10	1,673.48	1,813.27	1,813.27	1,813.27	8.8%	1,973.72	2,114.99	2,266.57
% increase/decrease			9.1%	8.4%	8.4%	-	-	8.8%	8.8%	7.2%	7.2%
<u>Monthly Account for Household - 'Indigent'</u>	3										
<u>Household receiving free basic services</u>											
Rates and services charges:											
Property rates		187.71	199.91	213.90	229.13	229.13	229.13	7.0%	245.16	259.87	275.47
Electricity: Basic levy		52.09	56.25	67.40	70.00	70.00	70.00	9.8%	76.85	83.00	89.64
Electricity: Consumption		289.07	310.00	339.50	366.66	366.66	366.66	5.7%	387.54	418.54	452.03
Water: Basic levy											
Water: Consumption		162.04	174.50	200.50	224.56	224.56	224.56	7.9%	242.25	261.63	282.56
Sanitation		97.75	104.25	87.25	94.25	94.25	94.25	59.7%	150.50	159.53	169.10
Refuse removal		90.00	120.00	130.00	140.00	140.00	140.00	10.7%	155.00	164.30	174.16
Other											
sub-total		878.66	964.91	1,038.55	1,124.60	1,124.60	1,124.60	11.8%	1,257.30	1,346.87	1,442.95
VAT on Services		96.73	107.10	115.45	125.83	125.83	125.83	#NAME?	141.70	152.18	163.45
Total small household bill:		975.40	1,072.01	1,154.00	1,250.43	1,250.43	1,250.43	11.9%	1,399.00	1,499.05	1,606.40
% increase/decrease			9.9%	7.6%	8.4%	-	-	11.9%	11.9%	7.2%	7.2%

1.4 Operating Expenditure Framework

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

GT484 Merafong City - Table A4 Budgeted Financial Performance
(revenue and expenditure)

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Expenditure By Type									
Employee related costs	299,183	312,717	296,105	327,676	327,676	327,676	363,053	385,835	410,166
Remuneration of councillors	17,753	18,762	19,795	20,983	20,685	20,685	22,050	23,373	24,776
Debt impairment	126,728	250,726	227,206	335,746	259,892	259,892	246,473	265,700	283,660
Depreciation & asset impairment	16,280	49,601	43,488	28,361	28,361	28,361	28,361	28,361	28,361
Finance charges	4,452	3,819	9,969	12,400	36,882	36,882	12,400	12,400	12,400
Bulk purchases	313,927	341,599	382,314	440,188	420,916	420,916	446,176	481,870	520,419
Other materials									
Contracted services	104,897	130,540	81,952	68,960	108,001	108,001	95,580	100,255	110,280
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	336,221	232,541	110,601	140,574	118,938	118,938	197,425	177,042	139,300
Loss on disposal of PPE	1,494	703							
Total Expenditure	1,220,934	1,341,008	1,171,430	1,374,888	1,321,351	1,321,351	1,411,518	1,474,836	1,529,363
Surplus/(Deficit)	31,236	(30,545)	(196,273)	1,545	(116,575)	(116,575)	(81,276)	(83,696)	(165,729)
Transfers recognised - capital	181,626	164,661	144,804	143,332	134,902	134,902	120,339	117,298	140,382
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	212,862	134,116	(51,469)	144,877	18,327	18,327	8,920	17,629	35,963
Taxation									
Surplus/(Deficit) after taxation	212,862	134,116	(51,469)	144,877	18,327	18,327	8,920	17,629	35,963

Attributable to minorities									
Surplus/(Deficit) attributable to municipality	212,862	134,116	(51,469)	144,877	18,327	18,327	8,920	17,629	35,963
Share of surplus/(deficit) of associate									
Surplus/ (Deficit) for the year	212,862	134,116	(51,469)	144,877	18,327	18,327	8,920	17,629	35,963

1.4.1 Employee Related Costs

The South African Local Government Bargaining Council entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

The previous years were:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent

The average CPI was 6.4% for the period Feb 2016 to Jan 2017, therefore the increase will be 7.4% for 2017/2018.

Due to the amendments to the mines valuations and council's poor financial situation only critical positions can be filled in 2017/2018.

1.4.2 Councillors Remuneration

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

1.4.3 Bulk Purchases: Electricity

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA) issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year.

The statement also says that, *"Nothing prevents Eskom from considering any possible cash flow risks and the implications thereof on its financial sustainability and make an application to NERSA for relief in this regard should it consider it necessary."*

Section 42 of the MFMA requires that bulk price increases charged to municipalities by an organ of state must be tabled by 15 March if they are to be effected as from 1 July of the same year, unless the Minister of Finance grants an extension. The Minister of Finance, at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

1.4.4 Bulk Purchases: Water

Rand Water had advised council that they will increase their water tariffs to municipalities by 10.2% from the 1 July 2017.

1.4.5 Debt Impairment

The provision of debt impairment was determined based on an annual collection rate of 75.00 per cent and the Debt Write-off Policy of Council. For the 2017/18 financial year this amount equates to R246 million.

The large tariff increases, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.

Council's average payment levels for the past six months were 72%.

A revenue enhancement strategy was developed and the roll out plan has commenced. A no tolerance approach in terms of council's credit control policy will be enforced on non-indigent defaulters.

In addition, Blyvooruitzicht was placed under liquidation and when the Municipality discontinued the provision of water in mine, the community of Blyvooruitzicht and the Human Rights lawyers obtained an interdict to ensure a continuous provision of water. Municipal Council has approached the court to set aside the interdict. The court had ruled that Council can reduce the water by 40% and the residents must pay council R150 per household per month.

Sibanye Gold Mining offset the outstanding reversals against their current rates account. This also reduced the current revenue collection significantly.

The valuation appeal processes were completed. The valuation appeal board had ruled that that the valuations of the mines be amended. It had serious implications for council. Council is applying for a review of the outcome of the valuation Appeal Board.

The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enable the municipality to significantly increase the existing value of **R1, 8 billion** on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being set off against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation 5 that is to be drafted in a particular format as agreed with the mining houses. Furthermore, the mining houses have agreed that the effective date for implementation of SV5 will applied retrospectively to the implementation date of SV3, being **01 August 2015**. It is anticipated that the compilation of the SV5 will be completed by **May 2017**.

1.4.6 Depreciation

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R106 million for the 2017/18 financial year. Note that the implementation of GRAP 17 accounting standard has

meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

1.4.7 Finance Charges

As previously noted, the municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in an increase in finance charges as a percentage of operational expenditure increasing.

1.4.8 Contracted Services

It's a fact that in the past years the management of the vehicles was not effective. Council cannot continue that fleet vehicles are abused and not controlled. A proper needs analysis will have to be performed before any new vehicles can be issued.

Council had reviewed all contracts and where it was possible the contracts were scaled down in line with council's cash flow situation.

1.4.10 General Expenses

Due to council's poor financial situation, General Expenses will have to be curtailed.

It's recommended that general expenses must grow by 2%. This includes the increase in fuel costs and rising inflation. This will result that we will have to do a zero base budget.

Entertainment, Travel and Subsistence, Attendance of Conferences, Food at meetings cannot be provided for in the 2017/2018 budget,

The management of the fleet and usage of vehicles will have to be properly managed.

The management of safety clothes will have to be looked at. A policy must be developed to prevent the demand for different types of clothes by different departments.

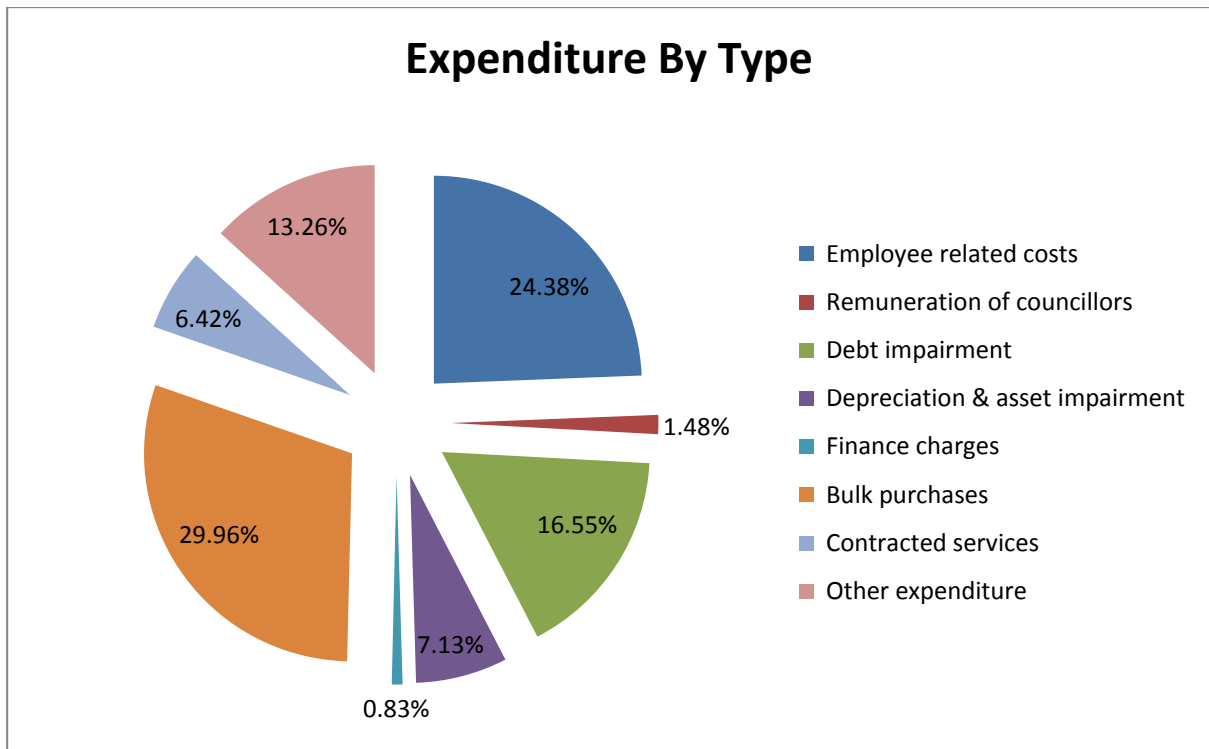


Figure 1 Main Operational expenditure categories for the 2017/18 financial year

Repairs and Maintenance

Due to the financial situation of Council Repairs and Maintenance were reduced substantially. During the adjustment budget the budget was cut by 50%

It was planned that repairs and maintenance must grow by 20% per year to ensure that council will extend the life span of the existing assets and not needs to replace them.

Due to the decrease in the equitable share council will increase the budget by 10%.

Table 12 Repairs and Maintenance per Asset Class

GT484 Merafong City - Table A9 Asset Management									
Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
EXPENDITURE OTHER ITEMS									
<u>Depreciation</u>									
<u>Repairs and Maintenance by Asset Class</u>	78,637	33,600	11,760	27,000	26,793	26,793	31,768	33,029	36,332
Roads Infrastructure	32,475	16,622	1,739	1,456	1,249	1,249	1,700	1,870	2,057
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	4,375	2,258	3,534	3,572	3,572	3,572	5,706	4,361	4,797
Water Supply Infrastructure	3,779	2,715	3,007	7,784	7,784	7,784	8,716	9,588	10,546
Sanitation Infrastructure	11,878	6,140	2,602	5,185	5,185	5,185	9,000	9,900	10,890
Solid Waste Infrastructure	1,761	1,096	-	-	-	-	200	220	242
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Infrastructure	54,267	28,831	10,882	17,998	17,791	17,791	25,322	25,938	28,532
Community Facilities	24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	836	-	965	965	965	369	395	435
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	836	-	965	965	965	369	395	435
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	725	725	725	800	880	968
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	78,637	33,600	11,760	27,000	26,793	26,793	31,768	33,029	36,332

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Councils Indigent Policy. The target is to register 22 000 or more indigent households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 49.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 CAPITAL EXPENDITURE

Table 13 - 2016/17 Medium-term capital budget per vote

GT484 Merafong City - Table A9 Asset Management

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
CAPITAL EXPENDITURE									
<u>Total Capital Expenditure</u>	181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222	138,132
<i>Roads Infrastructure</i>	97,182	152,902	110,346	51,631	38,654	38,654	16,034	22,960	27,920
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	23,873	19,079	23,220	22,631	31,697	31,697	12,500	16,000	38,470
<i>Water Supply Infrastructure</i>	31,392	7,735	8,782	49,813	55,675	55,675	56,282	55,540	60,000
<i>Sanitation Infrastructure</i>	-	1,274	297	-	-	-	2,934	9,133	10,223
<i>Solid Waste Infrastructure</i>	-	1,099	-	5,000	5,000	5,000	8,005	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	152,447	182,089	142,645	129,075	131,026	131,026	95,755	103,633	136,613
Community Facilities	1,079	7,396	16,827	2,629	521	521	3,674	-	-
Sport and Recreation Facilities	21,390	2,246	-	-	-	-	-	-	-
Community Assets	22,470	9,642	16,827	2,629	521	521	3,674	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	270	2,192	555	-	-	-	-	-	-
Intangible Assets	270	2,192	555	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	3,238	5,729	7,401	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-

	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222	138,132
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Roads Infrastructure</i>	1,402,178	1,526,424	1,560,802	1,673,396	1,550,701	1,550,701	1,522,277	1,500,780	1,484,243
<i>Storm water Infrastructure</i>									
<i>Electrical Infrastructure</i>	371,521	366,361	371,303	472,191	389,352	389,352	388,203	390,554	415,375
<i>Water Supply Infrastructure</i>	311,630	298,002	290,595	281,642	332,701	332,701	375,414	417,385	459,357
<i>Sanitation Infrastructure</i>	305,009	264,953	253,608	115,995	245,219	245,219	239,764	240,310	242,341
<i>Solid Waste Infrastructure</i>									
<i>Rail Infrastructure</i>									
<i>Coastal Infrastructure</i>									
<i>Information and Communication Infrastructure</i>									
Infrastructure	2,390,338	2,455,740	2,476,308	2,543,224	2,517,972	2,517,972	2,525,657	2,549,029	2,601,315
Community Facilities	523,315	530,588	522,749	520,229	526,628	526,628	537,015	522,639	502,259
Sport and Recreation Facilities									
Community Assets	523,315	530,588	522,749	520,229	526,628	526,628	537,015	522,639	502,259
Heritage Assets									
Revenue Generating									
Non-revenue Generating	15	198	197	43	197	197	197	197	197
Investment properties	15	198	197	43	197	197	197	197	197
Operational Buildings									
Housing									
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
Servitudes									
Licences and Rights	2,503	3,378	2,775	3,078	2,775	2,775	2,775	2,775	2,775
Intangible Assets	2,503	3,378	2,775	3,078	2,775	2,775	2,775	2,775	2,775
Computer Equipment									
Furniture and Office Equipment	15,967	17,693	20,813	66,325	20,813	20,813	20,813	20,813	20,813
Machinery and Equipment									
Transport Assets									
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2,932,138	3,007,597	3,022,841	3,132,898	3,068,384	3,068,384	3,086,457	3,095,453	3,127,359

For 2017/18 an amount of R124.3 Million has been appropriated for the development of infrastructure which represents 99 per cent of the total capital budget.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 23 MBRR A9 (Asset Management) on page 44. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

Table 14 Capital Transfers and Grant Receipts

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts									
Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
RECEIPTS:									
<u>Capital Transfers and Grants</u>									
National Government:	88,732	67,929	70,769	98,283	95,519	95,519	94,057	113,733	136,613
Municipal Infrastructure Grant (MIG)	66,732	57,929	56,008	55,283	52,519	52,519	64,057	67,733	71,613
National Electrification Programme	22,000	10,000	10,000	15,000	15,000	15,000	10,000	16,000	30,000
Department of Sports, arts, culture and recreation					–	–			
Department of Water and Sanitation				8,000	8,000	8,000			
Energy Efficiency and Demand Side Management					–	–			
Municipal Water Infrastructure grant			4,761	20,000	20,000	20,000	20,000	30,000	35,000
Provincial Government:	–	39,727	63,896	47,813	26,282	26,282	26,282	–	–
Human Settlement Grant	–	39,727	63,896	47,813	26,282	26,282	26,282		
Dept. Water and Sanitation			4,900						
District Municipality:	–	–	–	–	–	–	–	–	–
<i>water</i>	–	–	–	–					
Other grant providers:	–	–	–	–	–	–	–	–	–
<i>[insert description]</i>									
Total Capital Transfers and Grants	88,732	107,656	134,666	146,096	121,801	121,801	120,339	113,733	136,613

As can be seen from the table above the Municipal Infrastructure Grant has decreased over the past five years. It's for the first year that there is an increase in the Municipal Infrastructure Grant.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

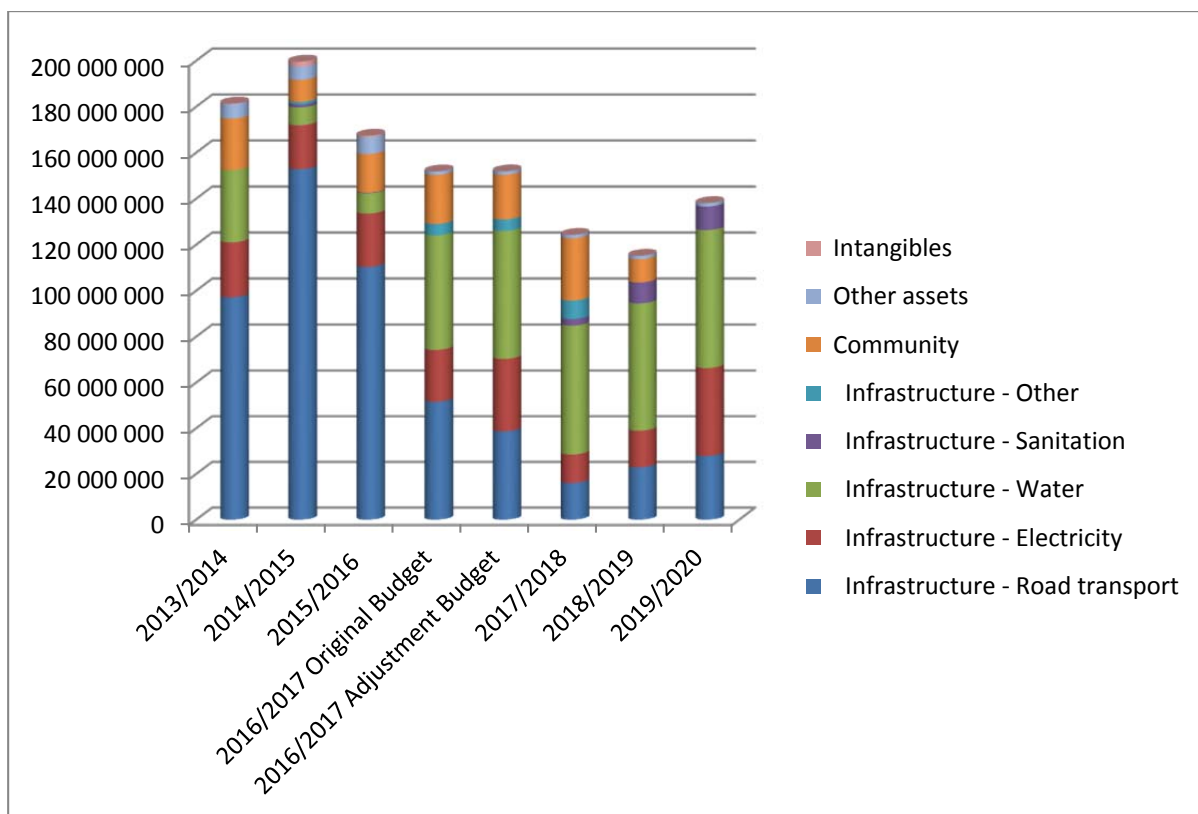


Figure 2 Capital Infrastructure Programme

1.6 Annual Budget Tables - Parent Municipality

The following 20 pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

GT484 Merafong City - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	267,771	190,456	202,539	227,028	165,204	165,204	-	176,768	185,623	196,761
Service charges	514,044	536,340	592,244	678,402	657,205	657,205	-	730,737	789,196	842,933
Investment revenue	16,863	8,194	5,602	2,786	5,600	5,600	-	2,786	2,786	2,953
Transfers recognised - operational	345,404	311,562	203,183	206,523	183,165	183,165	-	251,910	251,495	225,780
Other own revenue	76,712	100,618	86,836	122,080	125,668	125,668	-	137,898	146,067	156,517
Total Revenue (excluding capital transfers and contributions)	1,220,794	1,147,170	1,090,403	1,236,819	1,136,842	1,136,842	-	1,300,099	1,375,167	1,424,943
Employee costs	299,183	312,717	296,105	327,676	327,676	327,676	-	363,053	385,835	410,166
Remuneration of councillors	17,753	18,762	19,795	20,983	20,685	20,685	-	22,050	23,373	24,776
Depreciation & asset impairment	16,280	49,601	43,488	28,361	28,361	28,361	-	28,361	28,361	28,361
Finance charges	4,452	3,819	9,969	12,400	36,882	36,882	-	12,400	12,400	12,400
Materials and bulk purchases	313,927	341,599	382,314	440,188	420,916	420,916	-	446,176	481,870	520,419
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	568,549	613,807	419,758	545,281	486,831	486,831	-	539,478	542,997	533,240
Total Expenditure	1,220,143	1,340,305	1,171,430	1,374,888	1,321,351	1,321,351	-	1,411,518	1,474,836	1,529,363
Surplus/(Deficit)	651	(193,134)	(81,026)	(138,069)	(184,509)	(184,509)	-	(111,419)	(99,669)	(104,419)
Transfers and subsidies - capital (monetary allocations)	181,626	164,661	144,804	143,332	134,902	134,902	-	120,339	117,298	140,382
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	-	8,920	17,629	35,963
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	-	8,920	17,629	35,963
Capital expenditure & funds sources										
Capital expenditure	181,143	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132
Transfers recognised - capital	168,350	164,661	144,804	143,332	134,902	134,902	-	120,339	113,733	136,613
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	4,052	23,389	10,051	7,100	15,304	15,304	-	2,500	-	-
Internally generated funds	8,742	11,603	12,573	1,460	1,723	1,723	-	1,460	1,489	1,519
Total sources of capital funds	181,143	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132
Financial position										
Total current assets	498,875	369,322	385,940	288,744	385,940	385,940	-	301,151	301,151	301,151
Total non current assets	2,942,840	3,018,870	3,027,012	3,132,898	3,068,384	3,068,384	-	3,086,457	3,095,453	3,127,359
Total current liabilities	374,827	400,710	422,730	513,967	487,489	487,489	-	491,277	565,397	644,093
Total non current liabilities	174,611	201,373	218,199	236,267	194,813	194,813	-	189,925	185,038	180,150
Community wealth/Equity	2,892,277	2,786,110	2,772,023	2,671,407	2,772,023	2,772,023	-	2,706,405	2,646,169	2,604,267
Cash flows										
Net cash from (used) operating	(40,351)	71,033	126,292	(11,426)	(26,380)	(26,380)	(26,380)	37,281	45,990	64,324
Net cash from (used) investing	(181,894)	(200,041)	(142,098)	(151,062)	(151,929)	(151,929)	(151,929)	(124,299)	(115,222)	(138,132)
Net cash from (used) financing	(8,247)	11,010	14,648	(8,503)	(8,503)	(8,503)	(8,503)	(4,888)	(4,888)	(4,888)
Cash/cash equivalents at the year end	203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)
Cash backing/surplus reconciliation										
Cash and investments available	214,642	97,219	88,960	(240,777)	(171,809)	(171,809)	-	(348,503)	(422,623)	(501,319)
Application of cash and investments	79,553	90,446	138,541	20,496	(57,850)	(57,850)	-	(142,947)	(142,772)	(142,548)
Balance - surplus (shortfall)	135,089	6,773	(49,581)	(261,273)	(113,959)	(113,959)	-	(205,556)	(279,851)	(358,770)
Asset management										
Asset register summary (WDV)	2,932,138	3,007,597	3,022,841	3,132,898	3,068,384	3,068,384	3,086,457	3,086,457	3,095,453	3,127,359
Depreciation	94,145	127,466	121,353	106,226	106,226	106,226	106,226	106,226	106,226	106,226
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	78,637	33,600	11,760	27,000	26,793	26,793	31,768	31,768	33,029	36,332
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	180,483	132,909	58,885	165,173	143,452	143,452	125,829	125,829	133,379	141,381
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

GT484 Merafong City - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		505,594	436,038	440,008	362,613	313,480	313,480	310,550	330,218	353,421
Executive and council		3,979	4,670	3,311	2,769	2,569	2,569	2,205	2,337	2,478
Finance and administration		501,615	431,368	436,697	359,843	310,911	310,911	308,345	327,881	350,944
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		136,264	115,471	29,090	40,804	14,375	14,375	83,373	61,286	17,580
Community and social services		1,687	8,240	10,690	13,667	13,145	13,145	17,150	16,768	16,087
Sport and recreation		135	(6)	(3)	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		134,441	107,237	18,403	27,137	1,230	1,230	66,223	44,518	1,493
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		237,168	223,027	173,005	187,165	182,174	182,174	171,879	170,364	196,622
Planning and development		206,923	185,370	147,991	143,046	139,723	139,723	126,078	121,815	145,160
Road transport		30,245	37,657	25,014	44,119	42,451	42,451	45,801	48,549	51,462
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		523,395	537,295	593,105	789,570	761,715	761,715	854,636	930,597	997,702
Energy sources		216,507	221,665	254,440	319,722	321,855	321,855	348,837	379,770	411,603
Water management		235,901	237,791	253,144	342,980	315,298	315,298	367,137	399,823	425,426
Waste water management		32,086	26,492	30,410	51,277	49,171	49,171	61,052	66,488	70,746
Waste management		38,901	51,346	55,111	75,591	75,391	75,391	77,610	84,516	89,928
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	1,402,420	1,311,831	1,235,208	1,380,151	1,271,744	1,271,744	1,420,438	1,492,465	1,565,325
Expenditure - Functional										
<i>Governance and administration</i>		323,296	429,656	400,450	446,025	425,385	425,385	488,940	506,548	532,933
Executive and council		101,944	126,893	65,972	76,896	70,358	70,358	71,043	74,965	79,250
Finance and administration		214,413	289,640	330,971	365,286	351,100	351,100	414,298	427,761	449,601
Internal audit		6,938	13,122	3,506	3,844	3,927	3,927	3,599	3,822	4,082
<i>Community and public safety</i>		224,813	169,922	88,161	94,428	66,167	66,167	136,682	118,146	78,455
Community and social services		24,088	37,457	37,082	34,324	33,835	33,835	37,968	38,980	39,824
Sport and recreation		61,158	32,392	25,869	27,301	25,662	25,662	27,172	28,998	31,105
Public safety		-	-	-	-	-	-	-	-	-
Housing		139,567	100,072	25,210	32,802	6,670	6,670	71,542	50,168	7,526
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		161,925	165,547	108,663	146,992	159,944	159,944	98,913	102,534	107,980
Planning and development		26,428	27,508	21,349	79,792	96,559	96,559	23,342	23,242	24,723
Road transport		135,497	138,039	87,314	67,200	63,384	63,384	75,571	79,292	83,257
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		587,974	653,046	652,021	765,308	747,720	747,720	764,848	825,473	887,859
Energy sources		233,057	225,425	256,908	342,049	348,648	348,648	343,727	370,021	398,703
Water management		262,647	352,499	299,579	346,385	323,282	323,282	339,911	366,458	395,152
Waste water management		44,010	28,177	33,721	22,985	21,932	21,932	24,000	28,136	28,712
Waste management		48,261	46,945	61,814	53,890	53,859	53,859	57,210	60,859	65,293
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	1,298,008	1,418,170	1,249,295	1,452,753	1,399,216	1,399,216	1,489,383	1,552,701	1,607,228
Surplus/(Deficit) for the year		104,411	(106,339)	(14,087)	(72,603)	(127,472)	(127,473)	(68,945)	(60,236)	(41,902)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions and Waste management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

GT484 Merafong City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote		1									
Municipal Manager			3,979	4,670	3,311	2,769	2,569	2,569	2,205	2,337	2,478
Finance			500,323	429,804	435,888	357,349	308,417	308,417	305,448	324,809	347,688
Economic Development and Planning			1,721	2,467	912	433	133	133	898	952	1,009
Chief Operating Officer			-	-	-	-	-	-	-	-	-
Infrastructure Development			690,569	669,156	685,423	856,830	826,152	826,152	902,818	967,701	1,052,836
Community Services			70,968	97,238	90,812	133,377	130,987	130,987	140,561	149,833	157,477
Housing			134,441	107,237	18,403	27,137	1,230	1,230	66,223	44,518	1,493
Shared Services			419	1,259	459	2,255	2,255	2,255	2,285	2,314	2,345
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
Total Revenue by Vote		2	1,402,420	1,311,831	1,235,208	1,380,151	1,271,744	1,271,744	1,420,438	1,492,465	1,565,325
Expenditure by Vote <i>to be appropriated</i>		1									
Municipal Manager			99,296	124,122	63,433	73,920	67,316	67,316	67,829	71,559	75,638
Finance			81,967	153,651	180,072	224,636	171,705	171,705	246,868	250,362	258,809
Economic Development and Planning			16,170	16,138	12,733	11,866	13,732	13,732	14,140	15,040	16,013
Chief Operating Officer			12,483	19,277	9,328	10,525	10,815	10,815	10,876	11,541	12,276
Infrastructure Development			682,921	753,281	711,791	825,360	824,145	824,145	763,420	822,171	883,600
Community Services			205,366	183,548	155,338	194,296	190,093	190,093	210,058	220,883	233,506
Housing			139,567	100,072	25,210	32,802	6,670	6,670	71,542	50,168	7,526
Shared Services			60,238	68,081	91,389	79,348	114,740	114,740	104,649	110,977	119,859
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
0			-	-	-	-	-	-	-	-	-
Total Expenditure by Vote		2	1,298,008	1,418,170	1,249,295	1,452,753	1,399,216	1,399,216	1,489,383	1,552,701	1,607,228
Surplus/(Deficit) for the year		2	104,411	(106,339)	(14,087)	(72,603)	(127,472)	(127,473)	(68,945)	(60,236)	(41,902)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source												
Property rates	2		267,771	190,456	202,539	227,028	165,204	165,204	–	176,768	185,623	196,761
Service charges - electricity revenue	2		213,867	220,162	252,958	282,810	282,810	282,810	–	295,604	319,253	344,793
Service charges - water revenue	2		235,800	237,782	253,089	291,482	272,000	272,000	–	314,971	340,168	360,578
Service charges - sanitation revenue	2		25,230	26,453	30,404	43,408	41,300	41,300	–	52,385	56,576	59,971
Service charges - refuse revenue	2		38,543	51,156	54,973	59,866	59,866	59,866	–	66,473	71,791	76,098
Service charges - other			603	786	818	837	1,230	1,230		1,304	1,408	1,493
Rental of facilities and equipment			1,293	1,189	1,381	1,172	1,172	1,172		1,267	1,343	1,424
Interest earned - external investments			16,863	8,194	5,602	2,786	5,600	5,600		2,786	2,786	2,953
Interest earned - outstanding debtors			34,507	44,447	55,744	55,055	78,414	78,414		79,690	84,367	91,114
Dividends received							–	–				
Fines, penalties and forfeits			17,237	17,109	13,496	3,008	5,433	5,433		5,759	6,105	6,471
Licences and permits			12,859	7,798	11,411	41,060	37,000	37,000		40,000	42,400	44,944
Agency services							–	–				
Transfers and subsidies			345,404	311,562	203,183	206,523	183,165	183,165		251,910	251,495	225,780
Other revenue	2		10,816	30,074	4,804	20,955	3,649	3,649	–	–	–	–
Gains on disposal of PPE						830	–			11,182	11,853	12,564
Total Revenue (excluding capital transfers and contributions)			1,220,794	1,147,170	1,090,403	1,236,819	1,136,842	1,136,842	–	1,300,099	1,375,167	1,424,943
Expenditure By Type												
Employee related costs	2		299,183	312,717	296,105	327,676	327,676	327,676	–	363,053	385,835	410,166
Remuneration of councillors			17,753	18,762	19,795	20,983	20,685	20,685		22,050	23,373	24,776
Debt impairment	3		126,728	250,726	227,206	335,746	259,892	259,892		246,473	265,700	283,660
Depreciation & asset impairment	2		16,280	49,601	43,488	28,361	28,361	28,361	–	28,361	28,361	28,361
Finance charges			4,452	3,819	9,969	12,400	36,882	36,882		12,400	12,400	12,400
Bulk purchases	2		313,927	341,599	382,314	440,188	420,916	420,916	–	446,176	481,870	520,419
Other materials	8											
Contracted services			104,897	130,540	81,952	68,960	108,001	108,001	–	95,580	100,255	110,280
Transfers and subsidies			–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5		336,221	232,541	110,601	140,574	118,938	118,938	–	197,425	177,042	139,300
Loss on disposal of PPE			703									
Total Expenditure			1,220,143	1,340,305	1,171,430	1,374,888	1,321,351	1,321,351	–	1,411,518	1,474,836	1,529,363
Surplus/(Deficit)												
			651	(193,134)	(81,026)	(138,069)	(184,509)	(184,509)	–	(111,419)	(99,669)	(104,419)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			181,626	164,661	144,804	143,332	134,902	134,902		120,339	117,298	140,382
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatbns, Higher Educational Institutions)	6		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)												
Surplus/(Deficit) after capital transfers & contributions			182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	–	8,920	17,629	35,963
Taxation												
Surplus/(Deficit) after taxation			182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	–	8,920	17,629	35,963
Attributable to minorities												
Surplus/(Deficit) attributable to municipality			182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	–	8,920	17,629	35,963
Share of surplus/ (deficit) of associate	7											
Surplus/(Deficit) for the year			182,277	(28,474)	63,778	5,262	(49,607)	(49,607)	–	8,920	17,629	35,963

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R1.300.1 Million in 2017/18 and escalates to R1 1.424.9 Million by 2019/20. This represents a year-on-year increase of 14.36 per cent for the 2017/18 financial year. Revenue to be generated from property rates is R176 Million in the 2017/18 financial year and increases to R197 Million by 2019/20 which represents 13.6 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the

medium-term and tariff increases have been factored in at 7.0 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.

2. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R730.7 Million for the 2017/18 financial year and increasing to R802.9 Million by 2019/20. For the 2017/18 financial year services charges amount to 56.2 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
4. The following graph illustrates the major expenditure items per type.

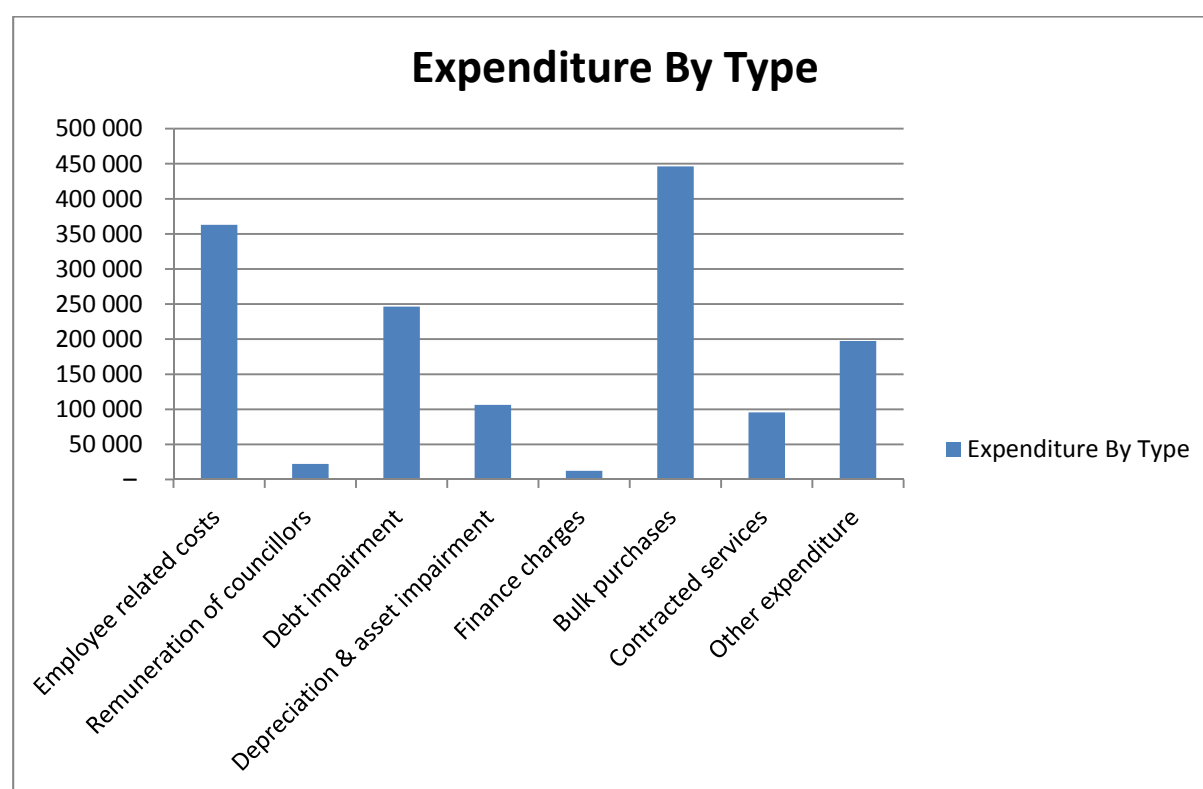


Figure 3 Expenditure by Major Type

5. Bulk purchases have significantly increased over the 2013/14 to 2017/18 period escalating from R313 Million to R446 Million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

GT484 Merafong City - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Municipal Manager		-	-	-	-	-	-	-	-	-	-
Finance		-	-	-	-	-	-	-	-	-	-
Economic Development and Planning		-	-	-	-	-	-	-	-	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-	-
Infrastructure Development		-	-	-	-	-	-	-	-	-	-
Community Services		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Municipal Manager		-	-	-	-	-	-	-	-	-	-
Finance		2,987	7,063	7,401	1,460	1,460	1,460	-	1,460	1,489	1,519
Economic Development and Planning		3,240	-	1,789	2,629	521	521	-	3,674	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-	-
Infrastructure Development		152,717	186,108	142,645	124,075	126,026	126,026	-	87,749	103,633	136,613
Community Services		22,470	4,289	15,038	23,728	23,922	23,922	-	31,415	10,100	-
Housing		-	-	-	-	-	-	-	-	-	-
Shared Services		-	2,192	555	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		181,413	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132
Total Capital Expenditure - Vote		181,413	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132
Capital Expenditure - Functional											
Governance and administration		2,987	14,373	7,955	1,460	1,460	1,460	-	1,460	1,489	1,519
Executive and council		-	5,118	555	-	-	-	-	-	-	-
Finance and administration		2,987	7,063	7,401	1,460	1,460	1,460	-	1,460	1,489	1,519
Internal audit		-	2,192	-	-	-	-	-	-	-	-
Community and public safety		22,470	3,006	11,727	18,728	18,922	18,922	-	8,005	-	-
Community and social services		1,079	-	11,727	18,728	18,922	18,922	-	8,005	-	-
Sport and recreation		21,390	3,006	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		100,422	152,902	112,135	54,260	39,175	39,175	-	19,707	22,960	27,920
Planning and development		3,240	-	1,789	2,629	521	521	-	3,674	-	-
Road transport		97,182	152,902	110,346	51,631	38,654	38,654	-	16,034	22,960	27,920
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		55,265	29,371	35,610	77,444	92,372	92,372	-	95,126	90,773	108,693
Energy sources		23,873	19,079	23,220	22,631	31,697	31,697	-	12,500	16,000	38,470
Water management		31,392	7,735	8,782	49,813	55,675	55,675	-	56,282	55,540	60,000
Waste water management		-	1,274	297	-	-	-	-	2,934	9,133	10,223
Waste management		-	1,283	3,311	5,000	5,000	5,000	-	23,410	10,100	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	181,143	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132
Funded by:											
National Government		57,984	84,238	70,617	95,519	95,519	95,519	-	94,057	113,733	136,613
Provincial Government		110,366	80,422	74,188	47,813	39,383	39,383	-	26,282	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	168,350	164,661	144,804	143,332	134,902	134,902	-	120,339	113,733	136,613
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	4,052	23,389	10,051	7,100	15,304	15,304	-	2,500	-	-
Internally generated funds		8,742	11,603	12,573	1,460	1,723	1,723	-	1,460	1,489	1,519
Total Capital Funding	7	181,143	199,652	167,428	151,892	151,929	151,929	-	124,299	115,222	138,132

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R124.3 million for the 2017/18 financial year and decreases over the MTREF at levels of R115.2 million and increase to R138.1 million respectively for the two outer years.
4. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2017/18, capital transfers totals R120.4 million increasing to R136.6 million by 2019/20. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 20 MBRR Table A6 - Budgeted Financial Position

GT484 Merafong City - Table A6 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash		203,944	85,948	84,789		84,789	84,789				
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	202,541	171,620	242,493	219,916	242,493	242,493	-	242,493	242,493	242,493
Other debtors		69,752	87,973	27,809	45,467	27,809	27,809		27,809	27,809	27,809
Current portion of long-term receivables			2			-	-		-	-	-
Inventory	2	22,637	23,781	30,849	23,361	30,849	30,849		30,849	30,849	30,849
Total current assets		498,875	369,322	385,940	288,744	385,940	385,940	-	301,151	301,151	301,151
Non current assets											
Long-term receivables		5									
Investments		10,698	11,272	4,171							
Investment property											
Investment in Associate											
Property, plant and equipment	3	2,929,437	3,004,219	3,019,869	3,129,820	3,065,609	3,065,609	-	3,083,682	3,092,678	3,124,584
Agricultural											
Biological											
Intangible		2,701	3,378	2,972	3,078	2,775	2,775		2,775	2,775	2,775
Other non-current assets		-	2	-							
Total non current assets		2,942,840	3,018,870	3,027,012	3,132,898	3,068,384	3,068,384	-	3,086,457	3,095,453	3,127,359
TOTAL ASSETS		3,441,715	3,388,192	3,412,953	3,421,641	3,454,324	3,454,324	-	3,387,608	3,396,604	3,428,510
LIABILITIES											
Current liabilities											
Bank overdraft	1				240,777	256,598	256,598		348,503	422,623	501,319
Borrowing	4	9,602	11,645	5,464	8,653	5,464	5,464	-	5,464	5,464	5,464
Consumer deposits		11,329	12,485	12,687	13,191	12,687	12,687		12,687	12,687	12,687
Trade and other payables	4	331,449	348,370	374,803	224,717	189,353	189,353	-	101,237	101,237	101,237
Provisions		22,447	28,210	29,777	26,629	23,387	23,387		23,387	23,387	23,387
Total current liabilities		374,827	400,710	422,730	513,967	487,489	487,489	-	491,277	565,397	644,093
Non current liabilities											
Borrowing		38,686	48,049	68,878	66,830	68,878	68,878	-	63,990	59,103	54,215
Provisions		135,925	153,323	149,321	169,437	125,935	125,935	-	125,935	125,935	125,935
Total non current liabilities		174,611	201,373	218,199	236,267	194,813	194,813	-	189,925	185,038	180,150
TOTAL LIABILITIES		549,438	602,082	640,930	750,234	682,301	682,301	-	681,203	750,435	824,243
NET ASSETS	5	2,892,277	2,786,110	2,772,023	2,671,407	2,772,023	2,772,023	-	2,706,405	2,646,169	2,604,267
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		2,892,277	2,786,110	2,772,023	2,671,407	2,772,023	2,772,023		2,706,405	2,646,169	2,604,267
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	2,892,277	2,786,110	2,772,023	2,671,407	2,772,023	2,772,023	-	2,706,405	2,646,169	2,604,267

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection

rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

GT484 Merafong City - Table A7 Budgeted Cash Flows

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			269,438	147,169	157,980	147,942	117,295	117,295	117,295	132,576	137,962	146,240
Service charges			382,804	445,766	414,235	413,440	519,208	519,208	519,208	548,379	592,249	632,573
Other revenue			24,769	40,231	32,041	66,195	51,682	51,682	51,682	58,208	61,700	65,402
Government - operating		1	189,311	311,562	194,620	206,523	208,615	208,615	208,615	251,910	251,495	225,780
Government - capital		1	98,859	72,208	148,407	143,332	134,902	134,902	134,902	120,339	117,298	140,382
Interest			16,863	8,194	5,602	21,924	5,600	5,600	5,600	62,553	66,061	71,288
Dividends										-	-	-
Payments												
Suppliers and employees			(1,017,943)	(950,674)	(816,623)	(998,382)	(1,026,800)	(1,026,800)	(1,026,800)	(1,124,284)	(1,168,375)	(1,204,942)
Finance charges			(4,452)	(3,423)	(9,969)	(12,400)	(36,882)	(36,882)	(36,882)	(12,400)	(12,400)	(12,400)
Transfers and Grants		1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES			(40,351)	71,033	126,292	(11,426)	(26,380)	(26,380)	(26,380)	37,281	45,990	64,324
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE										-	-	-
Decrease (Increase) in non-current debtors		2		2	3	830	-			-	-	-
Decrease (increase) other non-current receivables										-	-	-
Decrease (increase) in non-current investments			(482)	(574)	7,100					-	-	-
Payments												
Capital assets			(181,413)	(199,468)	(149,202)	(151,892)	(151,929)	(151,929)	(151,929)	(124,299)	(115,222)	(138,132)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(181,894)	(200,041)	(142,098)	(151,062)	(151,929)	(151,929)	(151,929)	(124,299)	(115,222)	(138,132)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing				21,000	30,300					-	-	-
Increase (decrease) in consumer deposits										-	-	-
Payments												
Repayment of borrowing			(8,247)	(9,990)	(15,652)	(8,503)	(8,503)	(8,503)	(8,503)	(4,888)	(4,888)	(4,888)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(8,247)	11,010	14,648	(8,503)	(8,503)	(8,503)	(8,503)	(4,888)	(4,888)	(4,888)
NET INCREASE/ (DECREASE) IN CASH HELD			(230,492)	(117,998)	(1,159)	(170,990)	(186,811)	(186,811)	(186,811)	(91,905)	(74,119)	(78,696)
Cash/cash equivalents at the year begin:		2	434,439	203,946	85,948	(69,787)	(69,787)	(69,787)	(69,787)	(256,598)	(348,503)	(422,623)
Cash/cash equivalents at the year end:		2	203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

GT484 Merafong City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)
Other current investments > 90 days		(2)	(0)	(0)	-	84,789	84,789	256,598	-	-	-
Non current assets - Investments	1	10,698	11,272	4,171	-	-	-	-	-	-	-
Cash and investments available:		214,642	97,219	88,960	(240,777)	(171,809)	(171,809)	-	(348,503)	(422,623)	(501,319)
Application of cash and investments											
Unspent conditional transfers		109,463	17,835	15,123	-	15,123	15,123	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(29,910)	72,611	123,419	20,496	(72,973)	(72,973)	-	(142,947)	(142,772)	(142,548)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		79,553	90,446	138,541	20,496	(57,850)	(57,850)	-	(142,947)	(142,772)	(142,548)
Surplus(shortfall)		135,089	6,773	(49,581)	(261,273)	(113,959)	(113,959)	-	(205,556)	(279,851)	(358,770)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. It can be seen that the cash levels of the Municipality decrease from the 2014/15 financial year to 2017/18 period owing directly to a net decrease in cash.
4. Cash and cash equivalents totals R348.5 Million overdraft as at the end of the 2017/18 financial year and increases to R501.3 Million by 2019/20.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2013/14 to 2017/18 the surplus decreased from R135 million to a deficit of R206 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2017/18 MTREF was not funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA, which is not the case in 2017/2018.
8. As can be seen the budget is not funded as the deficit of R206 Million in 2017/18 will increase to a deficit of R359 million by 2019/20.

Table 23 MBRR Table A9 - Asset Management

GT484 Merafong City - Table A9 Asset Management

Description R thousand	R ef	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222	138,132
<i>Roads Infrastructure</i>		97,182	152,902	110,346	51,631	38,654	38,654	16,034	22,960	27,920
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		23,873	19,079	23,220	22,631	31,697	31,697	12,500	16,000	38,470
<i>Water Supply Infrastructure</i>		31,392	7,735	8,782	49,813	55,675	55,675	56,282	55,540	60,000
<i>Sanitation Infrastructure</i>		-	1,274	297	-	-	-	2,934	9,133	10,223
<i>Solid Waste Infrastructure</i>		-	1,099	-	5,000	5,000	5,000	8,005	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		152,447	182,089	142,645	129,075	131,026	131,026	95,755	103,633	136,613
Community Facilities		1,079	7,396	16,827	2,629	521	521	3,674	-	-
Sport and Recreation Facilities		21,390	2,246	-	-	-	-	-	-	-
Community Assets		22,470	9,642	16,827	2,629	521	521	3,674	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licenses and Rights		270	2,192	555	-	-	-	-	-	-
Intangible Assets		270	2,192	555	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		3,238	5,729	7,401	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-

<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licenses and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-

Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licenses and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4								
<i>Roads Infrastructure</i>	97,182	152,902	110,346	51,631	38,654	38,654	16,034	22,960	27,920
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	23,873	19,079	23,220	22,631	31,697	31,697	12,500	16,000	38,470
<i>Water Supply Infrastructure</i>	31,392	7,735	8,782	49,813	55,675	55,675	56,282	55,540	60,000
<i>Sanitation Infrastructure</i>	-	1,274	297	-	-	-	2,934	9,133	10,223
<i>Solid Waste Infrastructure</i>	-	1,099	-	5,000	5,000	5,000	8,005	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	152,447	182,089	142,645	129,075	131,026	131,026	95,755	103,633	136,613
Community Facilities	1,079	7,396	16,827	2,629	521	521	3,674	-	-
Sport and Recreation Facilities	21,390	2,246	-	-	-	-	-	-	-
Community Assets	22,470	9,642	16,827	2,629	521	521	3,674	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	2,989	-	-	18,728	18,922	18,922	23,410	10,100	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licenses and Rights	270	2,192	555	-	-	-	-	-	-
Intangible Assets	270	2,192	555	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	3,238	5,729	7,401	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment									

Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological		-	-	-	-	-	-	-	-	-
Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222	138,132
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Roads Infrastructure</i>		1,402,178	1,526,424	1,560,802	1,673,396	1,550,701	1,550,701	1,522,277	1,500,780	1,484,243
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>		371,521	366,361	371,303	472,191	389,352	389,352	388,203	390,554	415,375
<i>Water Supply Infrastructure</i>		311,630	298,002	290,595	281,642	332,701	332,701	375,414	417,385	459,357
<i>Sanitation Infrastructure</i>		305,009	264,953	253,608	115,995	245,219	245,219	239,764	240,310	242,341
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		2,390,338	2,455,740	2,476,308	2,543,224	2,517,972	2,517,972	2,525,657	2,549,029	2,601,315
Community Facilities		523,315	530,588	522,749	520,229	526,628	526,628	537,015	522,639	502,259
Sport and Recreation Facilities										
Community Assets		523,315	530,588	522,749	520,229	526,628	526,628	537,015	522,639	502,259
Heritage Assets										
Revenue Generating										
Non-revenue Generating		15	198	197	43	197	197	197	197	197
Investment properties		15	198	197	43	197	197	197	197	197
Operational Buildings										
Housing										
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets										
Servitudes										
Licenses and Rights		2,503	3,378	2,775	3,078	2,775	2,775	2,775	2,775	2,775
Intangible Assets		2,503	3,378	2,775	3,078	2,775	2,775	2,775	2,775	2,775
Computer Equipment										
Furniture and Office Equipment		15,967	17,693	20,813	66,325	20,813	20,813	20,813	20,813	20,813
Machinery and Equipment										
Transport Assets										
Libraries										
Zoo's, Marine and Non-biological										
Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	2,932,138	3,007,597	3,022,841	3,132,898	3,068,384	3,068,384	3,086,457	3,095,453	3,127,359
EXPENDITURE OTHER ITEMS										
<u>Depreciation</u>	7	94,145	127,466	121,353	106,226	106,226	106,226	106,226	106,226	106,226
<u>Repairs and Maintenance by Asset Class</u>	3	78,637	33,600	11,760	27,000	26,793	26,793	31,768	33,029	36,332
<i>Roads Infrastructure</i>		32,475	16,622	1,739	1,456	1,249	1,249	1,700	1,870	2,057
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		4,375	2,258	3,534	3,572	3,572	3,572	5,706	4,361	4,797
<i>Water Supply Infrastructure</i>		3,779	2,715	3,007	7,784	7,784	7,784	8,716	9,588	10,546
<i>Sanitation Infrastructure</i>		11,878	6,140	2,602	5,185	5,185	5,185	9,000	9,900	10,890
<i>Solid Waste Infrastructure</i>										

		1,761	1,096	-	-	-	-	200	220	242
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		54,267	28,831	10,882	17,998	17,791	17,791	25,322	25,938	28,532
Community Facilities		24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	836	-	965	965	965	369	395	435
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	836	-	965	965	965	369	395	435
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licenses and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	725	725	725	800	880	968
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		172,782	161,067	133,113	133,226	133,019	133,019	137,994	139,255	142,558
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>R&M as a % of PPE</i>		<i>2.7%</i>	<i>1.1%</i>	<i>0.4%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.2%</i>
<i>Renewal and upgrading and R&M as a % of PPE</i>		<i>3.0%</i>	<i>1.0%</i>	<i>0.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 22 000 households to be registered as indigent in 2017/18, and therefore entitled to receiving Free Basic Services.
3. In addition to the Free Basic Services, the Municipality also 'gives' households R210 million in free services in 2017/18, and it increases to R266 million in 2019/20. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

The Executive Mayor tabled the Key Deadlines in terms of section 21(1) (b) during August 2016.

Subsequent to the above a budget steering committee was established in terms of Regulation 393. The committee is chaired by the portfolio head of finance.

A medium term expenditure framework was compiled, discussed and recommended by the Budget steering Committee during March 2017.

The needs of the communities, backlogs as identified by the departments, priorities as identified in the Municipal strategic review was the basis of the medium term expenditure framework for 2017/2018 to 2019/2020.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85 and 86 has been taken into consideration in the planning and prioritisation process.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality

must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Integrated Spatial Development Framework

In order to ensure integrated and focused service delivery between all spheres of government it was important for the City to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

The strategy review was conducted at a three-day strategic review session held on 4 – 6 December 2013 at Misty Hills and on 19 and 20 February 2013 in house. Members of the mayoral committee, councillors, senior management and labour representatives attended the workshop.

The purpose of the workshop was the Revision of Strategic Planning 2012 – 2016 and the Performance targets and subsequent strategies. The approach followed was output-orientated and participative by nature. In order to achieve the highest degree of consensus, information technology was utilised to achieve the highest quality information in the shortest time.

The purpose of the strategic planning session was to achieve the following outputs:

- Business Definition
- Vision
- Mission
- Strategic goals and objectives framework
- Core business values
- Stakeholder framework
- SWOT Analysis
- Targets
- Strategic Action Plan
- High level organisational design

Linkage with national, provincial and government manifesto priorities.

The approach followed was output-orientated and participative by nature. The input of various key stakeholders, administrative and political was gathered and documented in a facilitated workshop approach.

The IDP outlines Various **PLANS**; which respond to Merafong vision and values; thereby directing strategic focus areas; key programmes and strategic projects that link to the Council's capital and operating budget.

Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

GT484 Merafong City - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
Basic Service Delivery		A		704,248	764,548	758,937	959,557	902,773	902,773	1,046,652	1,096,736	1,144,257
Municipal Institutional Development and Transformation		B		195,709	111,910	36,160	60,041	57,851	57,851	65,236	67,631	69,894
Local Economic Development		C		1,081	1	84	2	2	2	11	11	12
Municipal Financial Viability and Management		D		500,323	432,805	435,888	357,349	308,417	308,417	305,448	324,809	347,688
Good Governance and Public Participation		E		419	2,221	3,311	2,769	2,569	2,569	2,205	2,337	2,478
Integrated Spatial Development Framework		F		640	346	828	432	132	132	887	940	997
Allocations to other priorities				2								
Total Revenue (excluding capital transfers and contributions)			1	1,402,420	1,311,831	1,235,208	1,380,151	1,271,744	1,271,744	1,420,439	1,492,466	1,565,325

Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

GT484 Merafong City - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
Basic Service Delivery		A		600,637	754,145	892,339	1,052,459	1,020,908	1,020,909	1,045,021	1,093,221	1,124,632	
Municipal Institutional Development and Transformation		B		57,270	59,301	91,389	79,348	114,740	114,740	104,649	110,977	119,859	
Local Economic Development		C		4,037	5,702	2,595	105	2,240	2,240	2,354	2,509	2,676	
Municipal Financial Viability and Management		D		81,967	147,299	102,207	146,771	93,840	93,840	169,003	172,496	180,944	
Good Governance and Public Participation		E		464,098	351,404	72,762	84,445	78,131	78,131	78,705	83,101	87,914	
Integrated Spatial Development Framework		F		12,133	22,453	10,138	11,761	11,491	11,491	11,786	12,531	13,338	
Allocations to other priorities													
Total Expenditure				1	1,220,143	1,340,305	1,171,430	1,374,888	1,321,350	1,321,351	1,411,518	1,474,835	1,529,362

Table 27 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

GT484 Merafong City - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
Basic Service Delivery		A		173,838	189,583	166,873	147,803	149,948	149,948	119,165	113,733	136,613	
Municipal Institutional Development and Transformation		B		1,079	3,006								
Local Economic Development		C					2,629	521	521	3,674			
Municipal Financial Viability and Management		D		3,257	7,063	555	1,460	1,460	1,460	1,460	1,489	1,519	
Good Governance and Public Participation		E											
Integrated Spatial Development Framework		F		3,240	-								
Allocations to other priorities				3									
Total Capital Expenditure				1	181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222	138,132

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the City has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

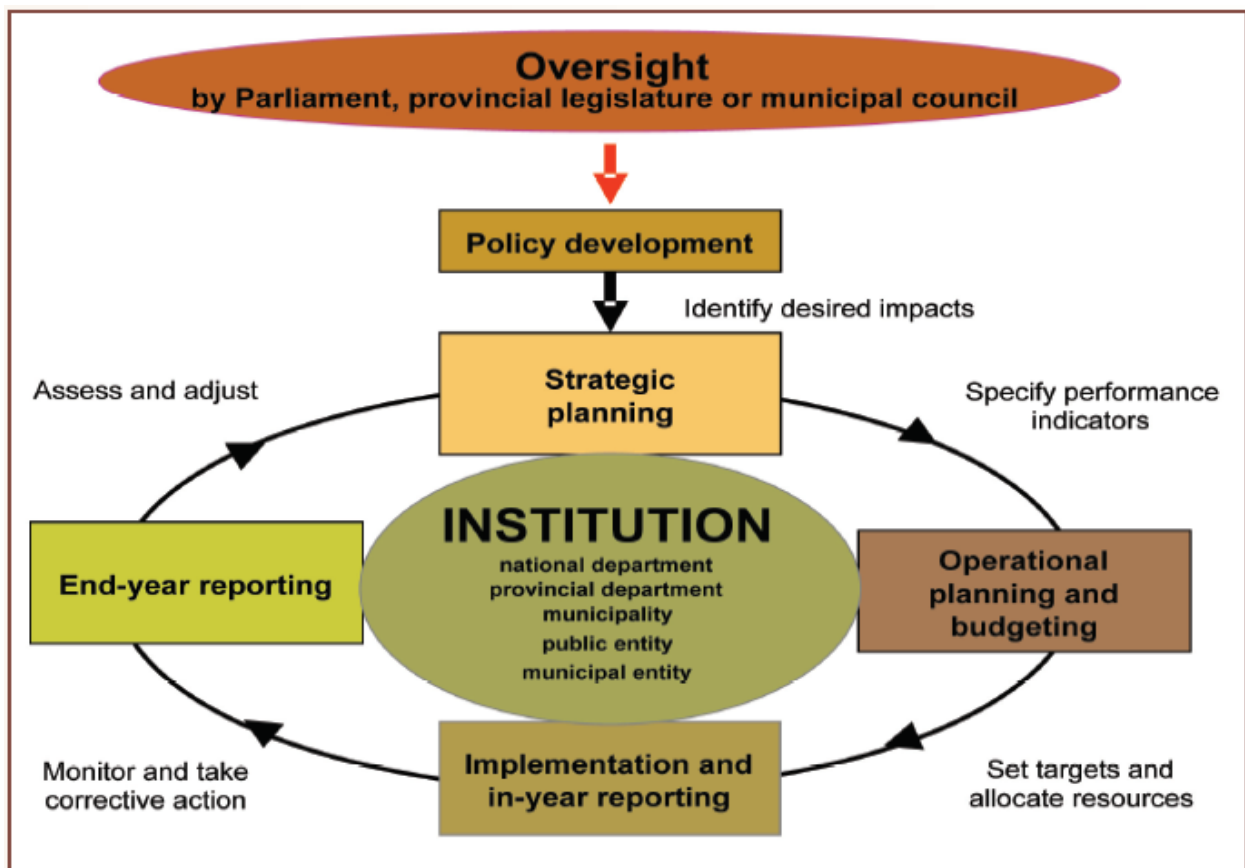


Figure 4 Planning, budgeting and reporting cycle

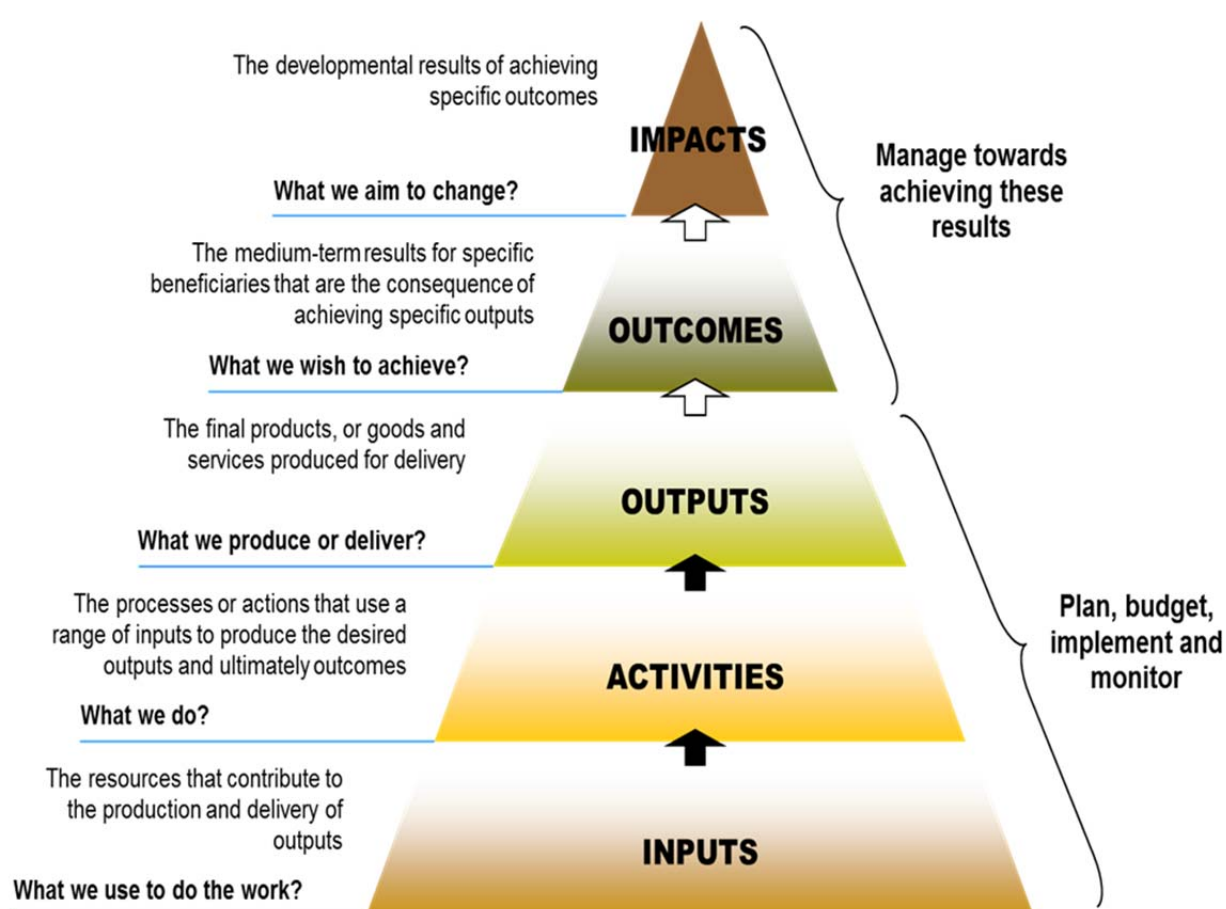
The performance of the City relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The City therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);

- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the City in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

Figure 5 Definition of performance information concepts



The following table sets out the municipalities main performance objectives and benchmarks for the 2017/18 MTREF.

Table 28 MBRR Table SA8 - Performance indicators and benchmarks

GT484 Merafong City - Supporting Table SA8 Performance indicators and benchmarks

2014/15 Meritang City - Supporting Table 3A0 Performance Indicators and Benchmarks											
Description of financial indicator	Basis of calculation	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.0%	1.0%	2.2%	1.5%	3.4%	3.4%	0.0%	1.2%	1.2%	1.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.5%	1.7%	2.9%	2.0%	4.8%	4.8%	0.0%	1.6%	1.5%	1.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	60.0%	133.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.3	0.9	0.9	0.6	0.8	0.8	-	0.6	0.5	0.5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.3	0.9	0.9	0.6	0.8	0.8	-	0.6	0.5	0.5
Liquidity Ratio	Monetary Assets/Current Liabilities	0.5	0.2	0.2	-	0.2	0.2	-	-	-	-
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		83.4%	81.6%	72.0%	62.1%	77.4%	77.4%	0.0%	75.0%	74.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		83.4%	81.6%	72.0%	62.0%	77.4%	77.4%	0.0%	75.0%	74.9%	74.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	22.3%	22.6%	24.8%	21.5%	23.8%	23.8%	0.0%	20.8%	19.7%	19.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		90.6%	315.6%	364.1%	-75.9%	-48.0%	-48.0%	0.0%	-14.4%	-11.9%	-10.0%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	24.5%	27.3%	27.2%	26.5%	28.8%	28.8%	0.0%	27.9%	28.1%	28.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	26.0%	26.0%	29.0%	28.2%	30.6%	30.6%		29.6%	29.8%	30.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.4%	2.9%	1.1%	2.2%	2.4%	2.4%		2.4%	2.4%	2.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	1.7%	4.7%	4.9%	3.3%	5.7%	5.7%	0.0%	3.1%	3.0%	2.9%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	48.1	39.3	29.2	73.1	73.1	73.1	-	14.8	14.8	15.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	34.8%	35.7%	34.0%	29.3%	32.8%	32.8%	0.0%	29.7%	27.7%	26.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.5	0.9	1.0	(2.3)	(2.5)	(2.5)	362.1	(3.3)	(3.8)	(4.3)

2.3.1 Performance indicators and benchmarks

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Merafong City's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreasing from 2.2 per cent in 2015/16 to 1.2 per cent in 2017/18. This decrease can be attributed to the repayment of loans to fund portions of the capital programme. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Council has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

Liquidity

Current ratio

Current ratio measures the ability of the Municipality to pay its current liabilities out of the current assets. The industry usually looks for a ratio of 2:1, however the acceptable current ratio is 1:1 for municipalities.

The current ratio is 0.6:1 which means that the Municipality will not be able to meet its short term obligation if the trend continues.

Revenue Management

Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)

A revenue enhancement strategy was developed and the roll out plan has commenced. A no tolerance approach in terms of council's credit control policy will be enforced on non-indigent defaulters.

Outstanding debtors to Revenue

This ratio gives an indication of how liquid customer's debtors are. The benchmark is 8.3%. The benchmark is exceeded. The municipality needs to look at ways of improving their credit control and increase prepaid services. The average for the Municipality for the past two years was 23.8% and 20.8% respectively.

Creditors Management

- **Creditors System Efficiency**

The ratio gives an indication of average creditor's payment period. The benchmark is 30 Days and is a contravention of Section 65(2) (e) if creditors are not paid in 30 days

Other Indicators

- **Employee costs**

The ratio indicates a percentage of salary costs to total expenditure and this ratio could illustrate the risk of salary costs being unmanageable.

Employee costs totalled 27.9% of the total expenditure for the 2017/18 financial year. This ratio is maintained within the limit of 35 %.

- **Cost coverage**

This ratio indicates the availability of cash plus short term investments to cover the monthly fixed operating expenditure.

Council does not have sufficient cash to cover current liabilities.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of Council. The Municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

Council had in terms of Regulation 7 and 8 of Local Government Gazette 32141 reviewed the budget related policies and bylaws for Merafong Local Council.

The following policies are amended or are new policies that need to be adopted by Council.

The policies were submitted to Management for their inputs.

The following are the key policies that affect or are affected by the annual budget that needs to be reviewed and amended if necessary.

Tariff Policy

The Municipal Systems Act, Act 32 of 2000, requires a municipality to have a tariff determination policy.

The challenge in setting tariffs lies in striking a balance between maintaining financial sustainability of the relevant departments and entities (and so sustainability of service provision) and ensuring affordability of those services by consumers.

The Municipality Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision.

This policy is based on principles that address the social, economic and financial imperatives that the process of tariff setting should take account of. In addition to the policy, and for operational purposes, tariff setting methodologies have been developed for the various departments and entities involved in trading services. The methodology specifies the procedure that departments and municipal entities should follow in determining their tariff increases:

Property Rates Policy

The Municipality has revised its Rates Policy as per the legislative requirements. The new policy provides that properties be rated based on the value of their land and improvements. Sectional title owners will also be drawn into the rates base. A new valuation roll is accordingly in place. The first Rates Policy and General Valuation Roll in terms of the Municipal Property Rates Act (MPRA) were implemented by the Municipality on the 01st July 2008.

The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners, including owners under sectional title, as well as other persons who may become liable for the payment of rates. This will affect the rates payable by the Municipality's property owners, and ultimately impact on the Municipality's own revenue stream.

Credit Control and Debt Collections Policy

The Municipalities Credit Control and Debt Collection Policy provides the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the Municipality in respect of rates,

fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly.

Indigent and Free Basic Services Subsidies Policy

Council had adopt an Indigent and Free Basic Services Subsidy Policy, which embodies and provide procedures and guidelines for the subsidization of basic services and tariff charges to indigent households in its municipal area.

The object of the Indigent and Free Basic Services Subsidy Policy is to ensure:

- (a) The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Municipality of the Council; and
- (b) The provision of procedures and guidelines for the subsidisation of basic service charges to indigent households.

Debt Write Off Policy

This policy serves to assist management and officials of the municipality to implement and maintain consistent, efficient and effective bad debts management principles. This policy will also assist management to run the municipality in a cost effective manner and yet achieving high levels of revenue collection. The policy also seeks to mitigate the risk of fraudulent writing off of fictitious bad debts.

PURPOSE

- To ensure that bad debt write-offs are authorized at appropriate levels.
- To ensure that only bona fide bad debts are written off.
- To ensure firmness in writing off bad debts.
- To ensure that debt collection is effective and efficient.
- To ensure that bad debts are kept within reasonable proportions.
- To ensure that the estimated loss resulting from bad debts is provided for during the same period that the income to which it is related is earned, and
- To ensure that the outstanding debtors appear in the monthly balance sheet at net realizable value, since the provision is deducted from the gross amount of the debtors.

Supply Chain Management Policy

Municipalities are required in terms of section 111 of the MFMA to have a supply chain management policy.

The Municipality has an approved Supply Chain Management Policy, within the framework of the relevant legislation and regulations. The policy ascribes to the following principles:

A procurement system which is fair, equitable, transparent, competitive and cost- effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;

- As enshrined in Chapter 11 of the Municipal Finance Management Act and its regulations;

- Best practices in supply chain management;
- Uniformity in supply chain management systems between organs of state in all spheres;
- Broad Based Black Economic Empowerment.

Additional Policies

- Asset Management Policy
- Cash Management Policy
- Borrowing Policy
- Funding and Reserve Policy
- Virement Policy
- Long-term Financial Planning Policy
- Capital Investment Policy
- Budget Policy

Bylaws

- Property Rates

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The 2017/18 – 2019/20 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Drastic changes have occurred within the global and domestic economy in the past two years, and these changes had a profound impact on the assumptions drawn to prepare the budget.

The following aspects were taken into account in the preparation of the 2017/18– 2019/20 Medium Term Budget.

The percentage increases of Rand Water bulk tariffs are far beyond the mentioned inflation target. Given that this tariff increase is determined by an external agency, this tariff is largely outside the control of the Council. Discounting the impact of these price increases in lower consumer tariffs will erode the Council future financial position and viability

Council's average payment levels for the past six months were 72%.

The biggest concern is that Blyvooruitzicht was placed under liquidation and when the Municipality discontinued the provision of water in mine, the community of Blyvooruitzicht and the Human Rights lawyers obtained an interdict to ensure a continuous provision of water. Municipal Council has approached the court to set aside the interdict. The court had ruled that Council can reduce the water by 40% and the residents must pay council R150 per month.

The valuation appeal processes were completed. The valuation appeal board had ruled that that the valuations of the mines be amended. It had serious implications for council. Council is applying for a review of the outcome of the valuation Appeal Board.

As at **01 July 2012**, the total valuation for the mines was **R4.6 billion**. The valuation appeal board reduced the valuation to **R253m** with the net effect that the total property rates recoverable were reduced to **R18m**. The municipal valuer immediately proceeded with the compilation of supplementary valuation 3 and due to the amendment of the Municipal Property Rates Act, the surface buildings and infrastructure was included. The value based on SV3 increased to R1.8 billion; generating approximately R60m property rates p.a.

The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enable the municipality to significantly increase the existing value of **R1, 8 billion** on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being set off against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation 5 that is to be drafted in a particular format as agreed with the mining houses. Furthermore, the mining houses have agreed that the effective date for implementation of SV5 will applied retrospectively to the implementation date of SV3, being **01 August 2015**. It is anticipated that the compilation of the SV5 will be completed by **May 2017**.

The large increases and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment are counterproductive, resulting in higher levels of non-payment and increased bad debts.

The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

The renewal of council's assets was the main focus in the 2015/2016 MTREF. It was planned that repairs and maintenance must grow by 20% per year to ensure that council will extend the life span of the existing assets and not needs to replace them.

Due to the amendments to the mines valuations council will not be in a position the increase the budget by 20% and the focus on renewal of assets had to be postponed.

The effective implementation of the credit control policy of council remains a challenge. Credit control will be rolled out to all areas within Merafong.

The provision of debt impairment was determined based on an annual collection rate of 72 per cent and the Debt Write-off Policy of the City. For the 2017/18 financial year this amount equates to R245 million.

The large tariff increases, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.

Council's average payment levels for the past six months were 72%. Council budgeted for a payment level of 75% for the financial year.

A revenue enhancement strategy was developed and the roll out plan has commenced. A no tolerance approach in terms of council's credit control policy will be enforced on non-indigent defaulters.

General inflation outlook and its impact on the municipal activities

Headline inflation forecasts

Municipalities must take the following inflation forecasts into consideration when preparing their budgets for 2017/18 and MTREF

Fiscal year	2016/17	2017/18	2018/19	2019/20
	Estimate	Forecast		
CPI Inflation	6.4%	6.4%	5.7%	5.6%
Real GDP Growth	0.5%	1.3%	2.0%	2.2%

Source: 2017 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Summary of budget assumptions

For the 2017/2018 financial year the Council, from the outset, based the guideline on the growth rates on 6% of the original budgeted amounts submitted to National Treasury for the 2016/2017 financial year. This was in line with the Reserve Banks inflation targets. However, during the 2017/2018 budgeting process, the main objective of the Council was to adhere to the prerequisite from National Treasury that Municipalities must pass budgets that are balanced and cash funded. This is not possible as discussed above. Council will not be in a position to table a cash funded budget

2.6 Overview of Budget Funding

Medium-term outlook: operating revenue

Table 29 breakdown of the operating revenue over the medium-term:

GT484 Merafong City - Table A1 Budget Summary								
Description	2017/18 Medium Term Revenue & Expenditure Framework							
R thousands	Adjusted Budget	% Increase	2017/2018	% Increase	2018/2019	% Increase	2019/2020	% Increase
Financial Performance								
Property rates	165,204	-18.43%	176,768	7.00%	185,623	5.01%	196,761	6.00%
Service charges	657,205	10.97%	730,737	11.19%	789,196	8.00%	842,933	6.81%
Investment revenue	5,600	-0.04%	2,786	-50.26%	2,786	0.00%	2,953	6.00%
Transfers recognised - operational	183,165	-9.85%	251,910	37.53%	251,495	-0.16%	225,780	-10.22%
Other own revenue	125,668	44.72%	137,898	9.73%	146,067	5.92%	156,517	7.15%
Total Expenditure	1,136,842	4.26%	1,300,099	14.36%	1,375,167	5.77%	1,424,943	3.62%

The following graph is a breakdown of the operational revenue per main category for the 2017/18 financial year.

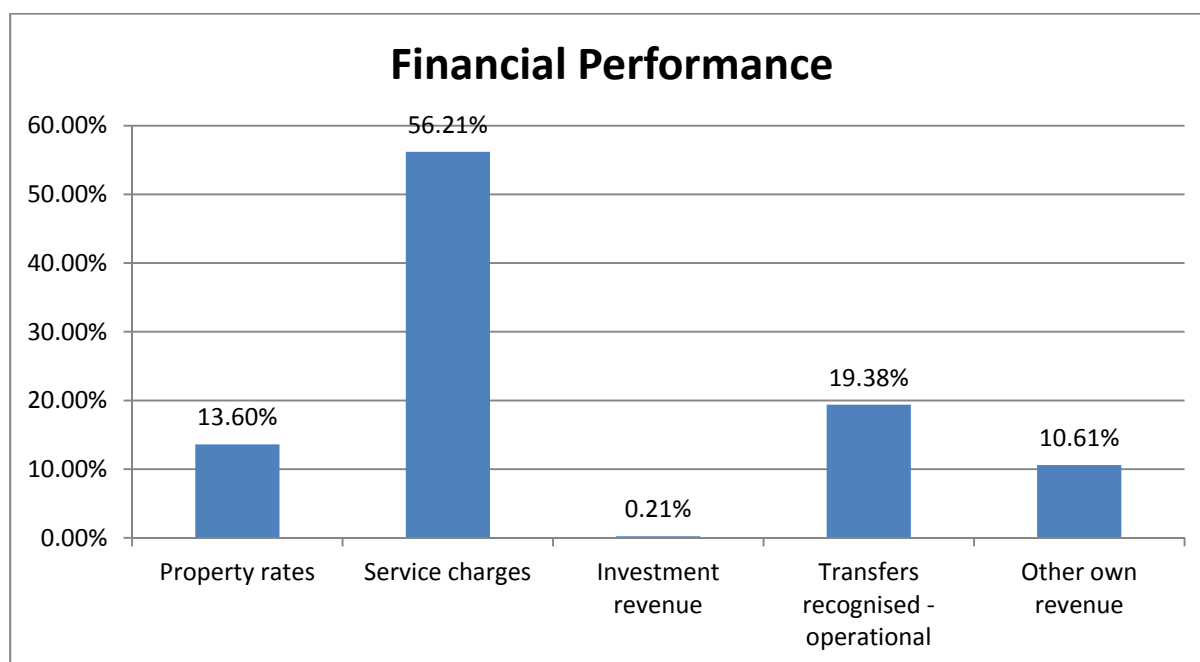


Figure 6 Breakdown of operating revenue over the 2017/18 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 75.00 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Statement of tariff setting and revenue strategies

Tariff-setting is a pivotal and strategic part of the compilation of any budget. The Council annually reviews its tariffs to ascertain whether they are still capable of producing the required revenue envelope, taking note of the prevailing trends. This process of tariff setting takes place within the framework of the Council tariff policy. The tariff policy is premised on principles of financial sustainability, social considerations as relates to the affordability of services, economic soundness and environmental considerations.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target.

While the municipality is committed to maintaining tariff increases within the forecasted inflation, increases above inflation are applied to some services (mainly major trading services) due to budgetary requirements aimed at sustaining service provision.

The percentage increase Rand Water bulk tariff is far beyond the mentioned inflation target. Given that this tariff increase is determined by external agencies, these tariffs are largely outside the control of the Council. Discounting the impact of these price increases in lower consumer tariffs will erode the Council future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Council is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

For the 2017/18 financial year tariffs increases for the major services were primarily driven by the following broad considerations:

- Political and social considerations;

- Move towards cost reflective tariffs over the medium term to ensure financial, and so service delivery, sustainability- cost recovery will be phased in gradually in consideration of affordability of services;
- Maintaining the Councils infrastructure in good state of repair, mindful of the affordability of services;
- Increase in bulk purchases;
- Capital investment plans;
- Current national electricity constraints;
- Trends in the national and local economy;
- The impact of inflation and other cost increases;

Within this framework the Council has undertaken the tariff setting process relating to service charges as follows:

The proposed tariff increases for the 2017/18 MTREF on the different revenue categories are:

Table 30 Proposed tariff increases over the medium-term

Revenue Category	2017/18 Proposed increase	2018/19 Proposed increase	2019/20 Proposed increase	2017/18 additional revenue owing to % tariff increases	2017/18 Total Budgeted revenue
	%	%	%	R0	R0
Property Rates	7	6	6	11,564	176,768
Electricity	8	8	8	12,795	295,604
Water	10	8	6	42,971	314,971
Sanitation	6	8	6	11,085	52,385
Refuse	10	6	6	6,067	66,473
Total	8.8	7.2	7.2	84,482	906,201

Revenue to be generated from property rates is R176 million in the 2017/18 financial year and increases to R197 Million by 2019/20 which represents 13 per cent of the operating revenue base of the Municipality.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R731 Million for the 2017/18 financial year and increasing to R843 million by 2019/20. For the 2017/18 financial year services charges amount to 56 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R252 million, R251 million and R226 million for each of the respective financial years of the MTREF, or 19.00, 18.00 and 16.00 per cent of operating revenue.

It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 31 MBRR SA15 – Detail Investment Information

GT484 Merafong City - Supporting Table SA15

Investment particulars by type

Investment type	R ef	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
<u>Parent municipality</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		10,215	11,144	4,171	-	-	-	-	-	-
Deposits - Public										
Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	10,215	11,144	4,171	-	-	-	-	-	-
<u>Entities</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public										
Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		10,215	11,144	4,171	-	-	-	-	-	-

Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2017/18 medium-term capital programme:

Table 32 Sources of capital revenue over the MTREF

GT484 Merafong City - Table A1 Budget Summary								
Description			2017/18 Medium Term Revenue & Expenditure Framework					
R thousands	Adjusted Budget		2016/2017		2017/2018		2018/2019	
<u>Capital expenditure & funds sources</u>								
Capital expenditure	151,929	-9%	124,299	18%	115,222	-7%	138,132	20%
Transfers recognised - capital	134,902	-7%	120,339	11%	113,733	-5%	136,613	20%
Public contributions & donations	–		–		–		–	
Borrowing	15,304	52%	2,500	84%	–	100%	–	#DIV/0!
Internally generated funds	1,723	86%	1,460	15%	1,489	2%	1,519	2%
Total sources of capital funds	151,929	-9%	124,299	18%	115,222	-7%	138,132	20%

The above table is graphically represented as follows for the 2017/18 financial year. Capital grants and receipts equates to 99 per cent of the total funding source which represents R120.3 million for the 2017/18 financial year and increase to R 136.6 million to by 2019/20

The following table is a detailed analysis of the Municipality borrowing liability.

Table 33 MBRR Table SA 17 - Detail of borrowings

GT484 Merafong City - Supporting Table
SA17 Borrowing

Borrowing - Categorised by type	R ef	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Parent municipality</u>										
Annuity and Bullet Loans										
Long-Term Loans (non-annuity)		36,371	122,865	73,420	65,331	65,331		60,443	55,556	50,668
Local registered stock										
Instalment Credit										
Financial Leases		2,316	2,649	922	577	577		–	–	–
PPP liabilities										
Finance Granted By Cap										
Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	38,686	125,514	74,342	65,908	65,908	–	60,443	55,556	50,668

The following graph illustrates the outstanding borrowing balances for the 2013/14 to 2017/18 period.

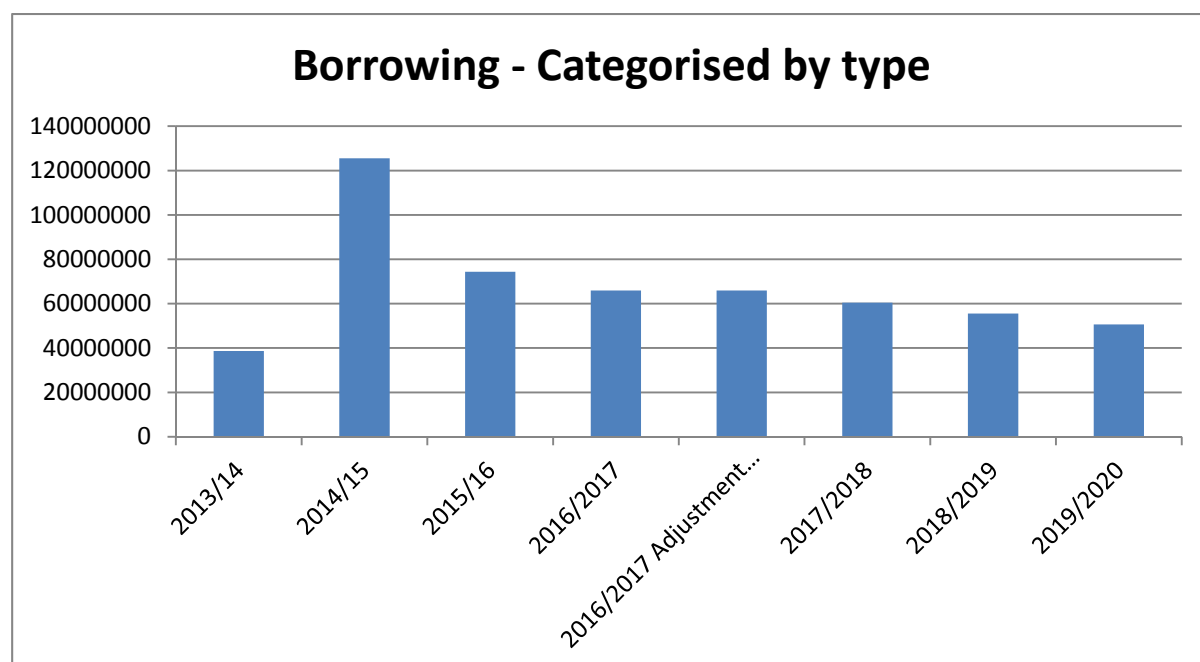


Figure 7 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 34 MBRR Table SA 18 - Capital transfers and grants receipts

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts									
Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
RECEIPTS:									
<u>Capital Transfers and Grants</u>									
National Government:	88,732	67,929	70,769	98,283	95,519	95,519	94,057	113,733	136,613
Municipal Infrastructure Grant (MIG)	66,732	57,929	56,008	55,283	52,519	52,519	64,057	67,733	71,613
National Electrification Programme	22,000	10,000	10,000	15,000	15,000	15,000	10,000	16,000	30,000
Department of Sports, arts, culture and recreation					–	–			
Department of Water and Sanitation				8,000	8,000	8,000			
Energy Efficiency and Demand Side Management					–	–			
Municipal Water Infrastructure grant			4,761	20,000	20,000	20,000	20,000	30,000	35,000
Provincial Government:	–	39,727	63,896	47,813	26,282	26,282	26,282	–	–
Human Settlement Grant	–	39,727	63,896	47,813	26,282	26,282	26,282		
Dept. Water and Sanitation			4,900						
District Municipality:	–	–	–	–	–	–	–	–	–
water	–	–	–	–					
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Capital Transfers and Grants	88,732	107,656	134,666	146,096	121,801	121,801	120,339	113,733	136,613

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 35 MBRR Table A7 - Budget cash flow statement

GT484 Merafong City - Table A7 Budgeted Cash Flows

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			269,438	147,169	157,980	147,942	117,295	117,295	117,295	132,576	137,962	146,240
Service charges			382,804	445,766	414,235	413,440	519,208	519,208	519,208	548,379	592,249	632,573
Other revenue			24,769	40,231	32,041	66,195	51,682	51,682	51,682	58,208	61,700	65,402
Government- operating	1		189,311	311,562	194,620	206,523	208,615	208,615	208,615	251,910	251,495	225,780
Government- capital	1		98,859	72,208	148,407	143,332	134,902	134,902	134,902	120,339	117,298	140,382
Interest			16,863	8,194	5,602	21,924	5,600	5,600	5,600	62,553	66,061	71,288
Dividends										-	-	-
Payments												
Suppliers and employees			(1,017,943)	(950,674)	(816,623)	(998,382)	(1,026,800)	(1,026,800)	(1,026,800)	(1,124,284)	(1,168,375)	(1,204,942)
Finance charges			(4,452)	(3,423)	(9,969)	(12,400)	(36,882)	(36,882)	(36,882)	(12,400)	(12,400)	(12,400)
Transfers and Grants	1									-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES			(40,351)	71,033	126,292	(11,426)	(26,380)	(26,380)	(26,380)	37,281	45,990	64,324
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE										-	-	-
Decrease (Increase) in non-current debtors		2		2	3	830	-			-	-	-
Decrease (increase) other non-current receivables										-	-	-
Decrease (increase) in non-current investments			(482)	(574)	7,100					-	-	-
Payments												
Capital assets			(181,413)	(199,468)	(149,202)	(151,892)	(151,929)	(151,929)	(151,929)	(124,299)	(115,222)	(138,132)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(181,894)	(200,041)	(142,098)	(151,062)	(151,929)	(151,929)	(151,929)	(124,299)	(115,222)	(138,132)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing				21,000	30,300					-	-	-
Increase (decrease) in consumer deposits										-	-	-
Payments												
Repayment of borrowing			(8,247)	(9,990)	(15,652)	(8,503)	(8,503)	(8,503)	(8,503)	(4,888)	(4,888)	(4,888)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(8,247)	11,010	14,648	(8,503)	(8,503)	(8,503)	(8,503)	(4,888)	(4,888)	(4,888)
NET INCREASE/ (DECREASE) IN CASH HELD			(230,492)	(117,998)	(1,159)	(170,990)	(186,811)	(186,811)	(186,811)	(91,905)	(74,119)	(78,696)
Cash/cash equivalents at the year begin:	2		434,439	203,946	85,948	(69,787)	(69,787)	(69,787)	(69,787)	(256,598)	(348,503)	(422,623)
Cash/cash equivalents at the year end:	2		203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)

It can be seen that the cash levels of the Municipality seriously decreasing from the 2015/16 financial year to 2017/18 period owing directly to a net decrease in cash for the 2017/18 financial year of R91.9 million.

The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Cash and cash equivalents totals R203.9 Million as at the end of the 2013/14 financial year and escalates to R501.3 Million overdraft by 2019/20.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?

- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 36 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT484 Merafong City - Table A8 Cash backed reserves/accumulated surplus reconciliation

G1404 Meraaring City - Table A6 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)
Other current investments > 90 days		(2)	(0)	(0)	-	84,789	84,789	256,598	-	-	-
Non current assets - Investments	1	10,698	11,272	4,171	-	-	-	-	-	-	-
Cash and investments available:		214,642	97,219	88,960	(240,777)	(171,809)	(171,809)	-	(348,503)	(422,623)	(501,319)
Application of cash and investments											
Unspent conditional transfers		109,463	17,835	15,123	-	15,123	15,123	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(29,910)	72,611	123,419	20,496	(72,973)	(72,973)	-	(142,947)	(142,772)	(142,548)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		79,553	90,446	138,541	20,496	(57,850)	(57,850)	-	(142,947)	(142,772)	(142,548)
Surplus(shortfall)		135,089	6,773	(49,581)	(261,273)	(113,959)	(113,959)	-	(205,556)	(279,851)	(358,770)

From the table it can be seen that for the period 2013/14 to 2017/18 the surplus decreased from R135 million to a deficit of R205.5 million.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2017/18 MTREF is partly funded.

As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

It can be concluded that the Municipality has a serious deficit against the cash backed and accumulated surpluses reconciliation.

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures

the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 37 MBRR SA10 – Funding compliance measurement

GT484 Merafong City Supporting Table SA10 Funding measurement

2016/17 including only supporting table 2016 funding measurement													2017/18 Medium Term Revenue & Expenditure Framework		
Description	MFMA section	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20			
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome						
Funding measures															
Cash/cash equivalents at the year end - R'000	18(1)b	1	203,947	85,948	84,789	(240,777)	(256,598)	(256,598)	(256,598)	(348,503)	(422,623)	(501,319)			
Cash + investments at the yr end less applications - R'000	18(1)b	2	135,089	6,773	(49,581)	(261,273)	(113,959)	(113,959)	–	(205,556)	(279,851)	(358,770)			
Cash year end/monthly employee/supplier payments	18(1)b	3	2.5	0.9	1.0	(2.3)	(2.5)	(2.5)	362.1	(3.3)	(3.8)	(4.3)			
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	104,411	(106,339)	(14,087)	(72,603)	(127,473)	(127,473)	–	(68,945)	(60,236)	(41,903)			
Service charge rev % change - macro CPI target exclusive	18(1)a(2)	5	N.A.	(13.0%)	3.4%	7.9%	(15.2%)	(6.0%)	(106.0%)	4.3%	1.4%	0.7%			
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	6	78.9%	76.5%	68.5%	61.1%	72.6%	72.6%	0.0%	71.5%	71.4%	71.3%			
Debt impairment expense as a % of total billable revenue	18(1)a(2)	7	16.2%	34.5%	28.6%	37.1%	31.6%	31.6%	0.0%	27.2%	27.3%	27.3%			
Capital payments % of capital expenditure	18(1)c(19)	8	100.0%	99.9%	89.1%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%			
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	60.0%	133.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Grants % of Govt legislated/gazetted allocations	18(1)a	10								140.4%	120.3%	105.8%			
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(4.7%)	4.1%	(1.8%)	1.9%	0.0%	(100.0%)	0.0%	0.0%	0.0%			
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.7%	1.1%	0.4%	0.9%	0.9%	0.9%	0.0%	1.0%	1.1%	1.2%			
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			

Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2017/18 MTREF shows an overdraft of R348.5 Million, R422.6 Million and R501.3 Million for each respective financial year.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 22, on page 42. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to SA2 position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. For the 2017/18 MTREF the indicative outcome is a deficit of R189 million.

Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 75 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 75 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 25 per cent over the MTREF. The provision is not the accepted leading practice.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital.

Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 50 MBRR SA34C on page 99.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Expenditure on Grants and Reconciliations of Unspent Funds

Table 38 MBRR SA19 - Expenditure on transfers and grant programmes

GT484 Merafong City - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		192,065	182,807	173,125	167,301	168,765	168,765	170,383	192,083	208,575
Local Government Equitable Share		185,846	178,319	168,320	162,952	162,952	162,952	163,084	186,186	203,851
Finance Management		1,549	1,600	1,600	1,625	1,625	1,625	1,700	1,700	1,960
Municipal Systems Improvement		478	934	930	1,300	-	-	1,365	1,433	-
EPWP Incentive		4,191	1,954	2,275	1,424	1,424	1,424	1,470	-	-
Municipal Infrastructure Grant (MIG)						2,764	2,764	2,764	2,764	2,764
Other transfers/grants [insert description]										
Provincial Government:		169,930	6,610	9,903	39,222	14,400	14,400	80,920	58,611	16,200
Housing		164,903			26,300	-	-	64,919	43,110	-
Department of Sports, arts, culture and recreation		5,028	5,331	9,903	11,422	12,900	12,900	15,001	15,001	16,200
Agricultural and Rural Development			1,279			-	-	-	-	-
EPWP Incentive					500	500	500	500	-	-
Department of Cooperative Governance and Traditional Affairs					1,000	1,000	1,000	500	500	-
District Municipality:		1,457	2,830	1,564	-	-	-	-	-	-
HIV Programme		1,457	2,830	1,564						
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants:		363,452	192,247	184,592	206,523	183,165	183,165	251,303	250,694	224,775
Capital expenditure of Transfers and Grants										
National Government:		86,315	84,238	69,640	98,283	95,519	95,519	94,057	113,733	136,613
Municipal Infrastructure Grant (MIG)		70,701	70,238	56,008	55,283	52,519	52,519	64,057	67,733	71,613
National Electrification Programme		15,614	10,000	10,000	15,000	15,000	15,000	10,000	16,000	30,000
Department of Sports, arts, culture and recreation			-			-	-			
Department of Water and Sanitation			-		8,000	8,000	8,000			
Energy Efficiency and Demand Side Management			4,000			-	-			
Municipal Water Infrastructure grant				3,632	20,000	20,000	20,000	20,000	30,000	35,000
Provincial Government:		82,035	91,423	70,595	47,813	39,383	38,253	26,282	-	-
Human Settlement Grant		82,035	91,423	70,595	47,813	38,253	38,253	26,282		
CoGTA						1,130	1,130			
District Municipality:		-	-	-	-	-	-	-	-	-
HIV Programme										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		168,350	175,662	140,235	146,096	134,902	133,772	120,339	113,733	136,613
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		531,802	367,908	324,827	352,619	318,067	316,937	371,642	364,427	361,388

Table 39 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

GT484 Merafong City - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		–								
Current year receipts		189,696	182,807	173,125	167,301	168,765	168,765	170,990	192,884	209,580
Conditions met - transferred to revenue		189,696	182,807	173,125	167,301	168,765	168,765	170,990	192,884	209,580
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year		164,976	25,764	750						
Current year receipts		15,038	94,144	28,573	39,222	14,400	14,400	80,920	58,611	16,200
Conditions met - transferred to revenue		154,250	119,158	29,323	39,222	14,400	14,400	80,920	58,611	16,200
Conditions still to be met - transferred to liabilities		25,764	750							
District Municipality:										
Balance unspent at beginning of the year		1,295	1,295							
Current year receipts		1,457	1,415	1,732						
Conditions met - transferred to revenue		1,457	2,710	1,732	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities		1,295	–							
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts			6,887							
Conditions met - transferred to revenue		–	6,887	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		345,403	311,562	204,180	206,523	183,165	183,165	251,910	251,495	225,780
Total operating transfers and grants - CTBM	2	27,059	750	–	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		17,885	16,309	(2,651)						
Current year receipts		88,732	67,929	70,769	95,519	95,519	95,519	94,057	113,733	136,613
Conditions met - transferred to revenue		86,432	86,890	69,434	95,519	95,519	95,519	94,057	113,733	136,613
Conditions still to be met - transferred to liabilities		20,185	(2,651)	(1,316)						
Provincial Government:										
Balance unspent at beginning of the year		140,019	58,102	20,058						
Current year receipts		–	39,727	68,796	47,813	39,383	39,383	26,282	–	–
Conditions met - transferred to revenue		81,918	77,771	75,371	47,813	39,383	39,383	26,282	–	–
Conditions still to be met - transferred to liabilities		58,102	20,058	13,484						
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		168,349	164,661	144,804	143,332	134,902	134,902	120,339	113,733	136,613
Total capital transfers and grants - CTBM	2	78,287	17,407	12,168	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		513,753	476,223	348,984	349,855	318,067	318,067	372,249	365,228	362,393
TOTAL TRANSFERS AND GRANTS - CTBM		105,346	18,157	12,168	–	–	–	–	–	–

2.8 Councillor and employee benefits

Table 40 MBRR SA22 - Summary of councillor and staff benefits

GT484 Merafong City - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		17,753	18,762	19,795	20,983	20,685	20,685	22,050	23,373	24,776
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance										
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		17,753	18,762	19,795	20,983	20,685	20,685	22,050	23,373	24,776
% increase	4		5.7%	5.5%	6.0%	(1.4%)	-	6.6%	6.0%	6.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		7,240	8,636	9,245	13,243	13,243	13,243	10,997	11,657	12,357
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus		962	1,036	996	1,589	1,589	1,589	1,540	1,632	1,730
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		8,201	9,672	10,241	14,833	14,833	14,833	12,537	13,289	14,086
% increase	4		17.9%	5.9%	44.8%	-	-	(15.5%)	6.0%	6.0%
Other Municipal Staff										
Basic Salaries and Wages		174,156	153,523	188,064	180,254	180,254	180,254	196,827	210,714	225,581
Pension and UIF Contributions		57,034	44,299	34,204	42,576	42,576	42,576	45,721	48,921	52,346
Medical Aid Contributions		18,029	18,406	21,074	22,173	22,173	22,173	24,390	26,098	27,924
Overtime		23,583	18,467	22,900	9,897	9,897	9,897	21,122	21,248	21,381
Performance Bonus					15,019	15,019	15,019	16,296	17,435	18,653
Motor Vehicle Allowance	3	9,021	8,856	9,718	10,385	10,385	10,385	10,385	10,385	10,385
Cellphone Allowance	3	-	2,493		2,391	2,391	2,391	2,391	2,391	2,391
Housing Allowances	3	1,334	1,558	1,959	2,196	2,196	2,196	2,196	2,196	2,196
Other benefits and allowances	3	5,145	8,677	5,625	3,645	3,645	3,645	5,082	5,409	5,727
Payments in lieu of leave			5,936		5,416	5,416	5,416	5,817	6,224	6,660
Long service awards		2,678	1,123	2,321	1,699	1,699	1,699	1,825	1,953	2,090
Post-retirement benefit obligations	6		6,000		17,191	17,191	17,191	18,463	19,571	20,745
Sub Total - Other Municipal Staff		290,982	269,338	285,864	312,843	312,843	312,843	350,516	372,546	396,080
% increase	4		(7.4%)	6.1%	9.4%	-	-	12.0%	6.3%	6.3%
Total Parent Municipality		316,936	297,772	315,900	348,659	348,361	348,361	385,103	409,208	434,942
			(6.0%)	6.1%	10.4%	(0.1%)	-	10.5%	6.3%	6.3%

GT484 Merafong City - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

MEDIUM TERM BUDGET 2017/2018 TO 2019/2020

Table 42 MBRR SA24 – Summary of personnel numbers

GT484 Merafong City - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2015/16			Current Year 2016/17			Budget Year 2017/18		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		55	55		55	55		55	55	
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	8	7		8	7		8	7	
Other Managers	7	26	19		26	19		26	19	
Professionals		29	22	-	29	22	-	29	22	-
Finance		4	4		4	4		4	4	
Spatial/town planning		2	2		2	2		2	2	
Information Technology		1	1		1	1		1	1	
Roads		1	1		1	1		1	1	
Electricity		4	2		4	2		4	2	
Water		1	1		1	1		1	1	
Sanitation										
Refuse		1	1		1	1		1	1	
Other		15	10		15	10		15	10	
Technicians		75	67	-	75	67	-	75	67	-
Finance		4	4		4	4		4	4	
Spatial/town planning		6	6		6	6		6	6	
Information Technology		2	2		2	2		2	2	
Roads		2	1		2	1		2	1	
Electricity		5	2		5	2		5	2	
Water		4	1		4	1		4	1	
Sanitation		2	1		2	1		2	1	
Refuse		2	2		2	2		2	2	
Other		48	48		48	48		48	48	
Clerks (Clerical and administrative)		99	99		99	99		99	99	
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations		937	653		937	653		937	653	
TOTAL PERSONNEL NUMBERS	9	1,229	922	-	1,229	922	-	1,229	922	-

2.9 Monthly targets for revenue, expenditure and cash flow

Table 43 MBRR SA25 - Budgeted monthly revenue and expenditure

GT484 Merafong City - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	R ef	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Revenue By Source</u>	-															
Property rates		14,731	14,731	14,731	14,731	14,731	14,731	14,731	14,731	14,731	14,731	14,731	14,731	176,768	185,623	196,761
Service charges - electricity revenue		24,634	24,634	24,634	24,634	24,634	24,634	24,634	24,634	24,634	24,634	24,634	24,634	295,604	319,253	344,793
Service charges - water revenue		26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	314,971	340,168	360,578
Service charges - sanitation revenue		4,365	4,365	4,365	4,365	4,365	4,365	4,365	4,365	4,365	4,365	4,365	4,365	52,385	56,576	59,971
Service charges - refuse revenue		5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	5,539	66,473	71,791	76,098
Service charges - other		109	109	109	109	109	109	109	109	109	109	109	109	1,304	1,408	1,493
Rental of facilities and equipment		106	106	106	106	106	106	106	106	106	106	106	106	1,267	1,343	1,424
Interest earned - external investments		232	232	232	232	232	232	232	232	232	232	232	232	2,786	2,786	2,953
Interest earned - outstanding debtors		6,641	6,641	6,641	6,641	6,641	6,641	6,641	6,641	6,641	6,641	6,641	6,641	79,690	84,367	91,114
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		480	480	480	480	480	480	480	480	480	480	480	480	5,759	6,105	6,471
Licences and permits		3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000	42,400	44,944
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		83,970				83,970				83,970			-	251,910	251,495	225,780
Other revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of PPE		932	932	932	932	932	932	932	932	932	932	932	932	11,182	11,853	12,564
Total Revenue (excluding capital transfers and contributions)		171,319	87,349	87,349	87,349	171,319	87,349	87,349	87,349	171,319	87,349	87,349	87,349	1,300,099	1,375,167	1,424,943
<u>Expenditure By Type</u>	-															
Employee related costs																

		30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	363,053	385,835	410,166
Remuneration of councillors		1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	22,050	23,373	24,776
Debt impairment		20,539	20,539	20,539	20,539	20,539	20,539	20,539	20,539	20,539	20,539	20,539	20,539	246,473	265,700	283,660
Depreciation & asset impairment		2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	28,361	28,361	28,361
Finance charges		1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	12,400	12,400	12,400
Bulk purchases		37,181	37,181	37,181	37,181	37,181	37,181	37,181	37,181	37,181	37,181	37,181	37,181	446,176	481,870	520,419
Other materials		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contracted services		7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	95,580	100,255	110,280
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure		16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	197,425	177,042	139,300
Loss on disposal of PPE													–	–	–	–
Total Expenditure		117,627	117,627	117,627	117,627	117,627	117,627	117,627	117,627	117,627	117,627	117,627	117,627	1,411,518	1,474,836	1,529,363
Surplus/(Deficit)		53,693	(30,277)	(30,277)	(30,277)	53,693	(30,277)	(30,277)	(30,277)	53,693	(30,277)	(30,277)	(30,277)	(111,419)	(99,669)	(104,419)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		40,113				40,113				40,113			–	120,339	117,298	140,382
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													–	–	–	–
Transfers and subsidies - capital (in- kind - all)													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		93,806	(30,277)	(30,277)	(30,277)	93,806	(30,277)	(30,277)	(30,277)	93,806	(30,277)	(30,277)	(30,277)	8,920	17,629	35,963
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	93,806	(30,277)	(30,277)	(30,277)	93,806	(30,277)	(30,277)	(30,277)	93,806	(30,277)	(30,277)	(30,277)	8,920	17,629	35,963

Table 44 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

GT484 Merafong City - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description		Ref	Budget Year 2017/18											Medium Term Revenue and Expenditure Framework			
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote																	
Municipal Manager			184	184	184	184	184	184	184	184	184	184	184	184	2,205	2,337	2,478
Finance			81,415	20,208	20,208	20,208	81,415	20,208	20,208	20,208	81,415	20,208	20,208	(100,460)	305,448	324,809	347,688
Economic Development and Planning			75	75	75	75	75	75	75	75	75	75	75	75	898	952	1,009
Chief Operating Officer			–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure Development			75,235	66,096	66,096	66,096	66,096	66,096	66,096	66,096	66,096	66,096	66,096	166,627	902,818	967,701	1,052,836
Community Services			10,556	10,556	10,556	10,556	10,556	10,556	10,556	10,556	10,556	10,556	10,556	24,446	140,561	149,833	157,477
Housing			5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	66,223	44,518	1,493
Shared Services			190	190	190	190	190	190	190	190	190	190	190	190	2,285	2,314	2,345
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Table 45 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

GT484 Merafong City - Supporting Table SA27 Budgeted monthly revenue and expenditure
(functional classification)

Description	R ef	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Novemb er	Decemb er	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional	-															
<i>Governance and administration</i>		25,879	35,935	35,935	35,935	35,935	35,935	35,935	35,935	35,935	35,935	35,935	(74,676)	310,550	330,218	353,421
Executive and council		184	184	184	184	184	184	184	184	184	184	184	184	2,205	2,337	2,478
Finance and administration		25,695	35,751	35,751	35,751	35,751	35,751	35,751	35,751	35,751	35,751	35,751	(74,860)	308,345	327,881	350,944
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		6,948	6,948	6,948	6,948	6,948	6,948	6,948	6,948	6,948	6,948	6,948	6,948	83,373	61,286	17,580
Community and social services		1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	17,150	16,768	16,087
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	66,223	44,518	1,493
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		14,323	14,323	14,323	14,323	14,323	14,323	14,323	14,323	14,323	14,323	14,323	14,323	171,879	170,364	196,622
Planning and development		10,506	10,506	10,506	10,506	10,506	10,506	10,506	10,506	10,506	10,506	10,506	10,506	126,078	121,815	145,160
Road transport		3,817	3,817	3,817	3,817	3,817	3,817	3,817	3,817	3,817	3,817	3,817	3,817	45,801	48,549	51,462
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		71,220	61,164	61,164	61,164	61,164	61,164	61,164	61,164	61,164	61,164	61,164	171,775	854,636	930,597	997,702
Energy sources		29,070	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	69,820	348,837	379,770	411,603
Water management		30,595	26,253	26,253	26,253	26,253	26,253	26,253	26,253	26,253	26,253	26,253	74,015	367,137	399,823	425,426
Waste water management		5,088	4,366	4,366	4,366	4,366	4,366	4,366	4,366	4,366	4,366	4,366	12,309	61,052	66,488	70,746
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<i>Other</i>	6,468	5,551	5,551	5,551	5,551	5,551	5,551	5,551	5,551	5,551	5,551	15,631	77,610	84,516	89,928
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	118,370	118,370	118,370	118,370	118,370	118,370	118,370	118,370	118,370	118,370	118,370	118,370	1,420,438	1,492,465	1,565,325
<u>Expenditure - Functional</u>		155,484	155,484	155,484	155,484	155,484	155,484	155,484	155,484	155,484	155,484				
<i>Governance and administration</i>	40,745	40,745	40,745	40,745	40,745	40,745	40,745	40,745	40,745	40,745	40,745	40,745	488,940	506,548	532,933
Executive and council	5,920	5,920	5,920	5,920	5,920	5,920	5,920	5,920	5,920	5,920	5,920	5,920	71,043	74,965	79,250
Finance and administration	34,525	34,525	34,525	34,525	34,525	34,525	34,525	34,525	34,525	34,525	34,525	34,525	414,298	427,761	449,601
Internal audit	300	300	300	300	300	300	300	300	300	300	300	300	3,599	3,822	4,082
<i>Community and public safety</i>	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	136,682	118,146	78,455
Community and social services	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	37,968	38,980	39,824
Sport and recreation	2,264	2,264	2,264	2,264	2,264	2,264	2,264	2,264	2,264	2,264	2,264	2,264	27,172	28,998	31,105
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962	71,542	50,168	7,526
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	8,243	8,243	8,243	8,243	8,243	8,243	8,243	8,243	8,243	8,243	8,243	8,243	98,913	102,534	107,980
Planning and development	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	23,342	23,242	24,723
Road transport	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	75,571	79,292	83,257
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	63,737	63,737	63,737	63,737	63,737	63,737	63,737	63,737	63,737	63,737	63,737	63,737	764,848	825,473	887,859
Energy sources	28,644	28,644	28,644	28,644	28,644	28,644	28,644	28,644	28,644	28,644	28,644	28,644	343,727	370,021	398,703
Water management	28,326	28,326	28,326	28,326	28,326	28,326	28,326	28,326	28,326	28,326	28,326	28,326	339,911	366,458	395,152
Waste water management	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	28,136	28,712
Waste management	4,768	4,768	4,768	4,768	4,768	4,768	4,768	4,768	4,768	4,768	4,768	4,768	57,210	60,859	65,293
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure -															

Functional		124,115	124,115	124,115	124,115	124,115	124,115	124,115	124,115	124,115	124,115	124,115	124,115	1,489,383	1,552,701	1,607,228
Surplus/(Deficit) before assoc.		(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(68,945)	(60,236)	(41,902)
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(5,745)	(68,945)	(60,236)	(41,902)

References

Table 46 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

GT484 Merafong City - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
<u>Multi-year expenditure to be appropriated</u>	1															
Municipal Manager													-	-	-	-
Finance													-	-	-	-
Economic Development and Planning													-	-	-	-
Chief Operating Officer													-	-	-	-
Infrastructure Development													-	-	-	-
Community Services													-	-	-	-
Housing													-	-	-	-
Shared Services													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Single-year expenditure to be appropriated</u>																
Municipal Manager													-	-	-	-
Finance		122	122	122	122	122	122	122	122	122	122	122	122	1,460	1,489	1,519
Economic Development and Planning		612	612	612	612	612	612							3,674	-	-
Chief Operating Officer													-	-	-	-
Infrastructure Development		7,312	5,122	5,122	5,122	5,122	5,122	5,122	5,122	5,122	5,122	5,122	29,214	87,749	103,633	136,613
Community Services		2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	2,618	31,415	10,100	-
Housing													-	-	-	-
Shared Services													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
Capital single-year expenditure sub-total	2	10,664	8,474	8,474	8,474	8,474	8,474	7,862	7,862	7,862	7,862	7,862	31,954	124,299	115,222	138,132
Total Capital Expenditure	2	10,664	8,474	8,474	8,474	8,474	8,474	7,862	7,862	7,862	7,862	7,862	31,954	124,299	115,222	138,132

Table 47 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

GT484 Merafong City - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		122	122	122	122	122	122	122	122	122	122	122	122	1,460	1,489	1,519
Executive and council														-	-	-
Finance and administration		122	122	122	122	122	122	122	122	122	122	122	122	1,460	1,489	1,519
Internal audit														-	-	-
<i>Community and public safety</i>		667	667	667	667	667	667	667	667	667	667	667	667	8,005	-	-
Community and social services		667	667	667	667	667	667	667	667	667	667	667	667	8,005	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		1,948	1,948	1,948	1,948	1,948	1,948	1,336	1,336	1,336	1,336	1,336	1,336	19,707	22,960	27,920
Planning and development		612	612	612	612	612	612							-	-	-
Road transport		1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	16,034	22,960	27,920
Environmental protection														-	-	-
<i>Trading services</i>		7,927	7,927	7,927	7,927	7,927	7,927	7,927	7,927	7,927	7,927	7,927	7,927	95,126	90,773	108,693
Energy sources		1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	12,500	16,000	38,470
Water management		4,690	4,690	4,690	4,690	4,690	4,690	4,690	4,690	4,690	4,690	4,690	4,690	56,282	55,540	60,000
Waste water management		244	244	244	244	244	244	244	244	244	244	244	244	2,934	9,133	10,223
Waste management		1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	23,410	10,100	-
<i>Other</i>														-	-	-
Total Capital Expenditure - Functional	2	10,664	10,664	10,664	10,664	10,664	10,664	10,052	10,052	10,052	10,052	10,052	10,052	124,299	115,222	138,132
Funded by:																
National Government		31,352				31,352				31,352				94,057	113,733	136,613
Provincial Government		8,761				8,761				8,761				26,282	-	-
District Municipality														-	-	-
Other transfers and grants														-	-	-
Transfers recognised - capital		40,113	-	-	-	40,113	-	-	-	40,113	-	-	-	120,339	113,733	136,613
Public contributions & donations														-	-	-
Borrowing		208	208	208	208	208	208	208	208	208	208	208	208	2,500	-	-
Internally generated funds		122	122	122	122	122	122	122	122	122	122	122	122	1,460	1,489	1,519
Total Capital Funding		40,443	330	330	330	40,443	330	330	330	40,443	330	330	330	124,299	115,222	138,132

Table 48 MBRR SA30 - Budgeted monthly cash flow

GT484 Merafong City - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Cash Receipts By Source</u>													1		
Property rates	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	132,576	137,962	146,240
Service charges - electricity revenue	18,475	18,475	18,475	18,475	18,475	18,475	18,475	18,475	18,475	18,475	18,475	18,475	221,703	239,440	258,595
Service charges - water revenue	19,686	19,686	19,686	19,686	19,686	19,686	19,686	19,686	19,686	19,686	19,686	19,686	236,228	255,126	270,434
Service charges - sanitation revenue	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	39,289	42,432	44,978
Service charges - refuse revenue	4,155	4,155	4,155	4,155	4,155	4,155	4,155	4,155	4,155	4,155	4,155	4,155	49,855	53,843	57,074
Service charges - other	109	109	109	109	109	109	109	109	109	109	109	109	1,304	1,408	1,493
Rental of facilities and equipment	106	106	106	106	106	106	106	106	106	106	106	106	1,267	1,343	1,424
Interest earned - external investments	232	232	232	232	232	232	232	232	232	232	232	232	2,786	2,786	2,953
Interest earned - outstanding debtors	4,981	4,981	4,981	4,981	4,981	4,981	4,981	4,981	4,981	4,981	4,981	4,981	59,768	63,275	68,336
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	480	480	480	480	480	480	480	480	480	480	480	480	5,759	6,105	6,471
Licences and permits	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000	42,400	44,944
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	83,970				83,970				83,970			-	251,910	251,495	225,780
Other revenue	932	932	932	932	932	932	932	932	932	932	932	932	11,182	11,853	12,564
Cash Receipts by Source	150,780	66,810	66,810	66,810	150,780	66,810	66,810	66,810	150,780	66,810	66,810	66,810	1,053,627	1,109,467	1,141,284
Other Cash Flows by Source															
Transfer receipts - capital	40,113				40,113				40,113			-	120,339	117,298	140,382
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												-			

Proceeds on disposal of PPE												-			
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	190,893	66,810	66,810	66,810	190,893	66,810	66,810	66,810	190,893	66,810	66,810	66,810	1,173,965	1,226,765	1,281,666
Cash Payments by Type															
Employee related costs	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	30,254	363,053	385,835	410,166
Remuneration of councillors	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	1,838	22,050	23,373	24,776
Finance charges			6,200						6,200			-	12,400	12,400	12,400
Bulk purchases - Electricity	33,815	33,815	13,815	13,815	13,815	13,815	13,815	13,815	13,815	13,815	13,815	33,815	225,777	243,839	263,346
Bulk purchases - Water & Sewer	18,367	18,367	18,367	18,367	18,367	18,367	18,367	18,367	18,367	18,367	18,367	18,367	220,399	238,031	257,074
Other materials	-	-	-	-	-	-	-	-	-	-	-	-			
Contracted services	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	7,965	95,580	100,255	110,280
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-			
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-			
Other expenditure	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	16,452	197,425	177,042	139,300
Cash Payments by Type	108,690	108,690	94,890	88,690	88,690	88,690	88,690	88,690	94,890	88,690	88,690	108,690	1,136,684	1,180,775	1,217,342
Other Cash Flows/Payments by Type															
Capital assets	41,433				41,433				41,433			-	124,299	115,222	138,132
Repayment of borrowing			2,444						2,444			-	4,888	4,888	4,888
Other Cash Flows/Payments												-			
Total Cash Payments by Type	150,123	108,690	97,334	88,690	130,123	88,690	88,690	88,690	138,767	88,690	88,690	108,690	1,265,870	1,300,885	1,360,361
NET INCREASE/(DECREASE) IN CASH HELD	40,769	(41,881)	(30,524)	(21,881)	60,769	(21,881)	(21,881)	(21,881)	52,126	(21,881)	(21,881)	(41,881)	(91,905)	(74,119)	(78,696)
Cash/cash equivalents at the month/year begin:	(256,598)	(215,829)	(257,709)	(288,234)	(310,114)	(249,345)	(271,226)	(293,106)	(314,987)	(262,861)	(284,742)	(306,623)	(256,598)	(348,503)	(422,623)
Cash/cash equivalents at the month/year end:	(215,829)	(257,709)	(288,234)	(310,114)	(249,345)	(271,226)	(293,106)	(314,987)	(262,861)	(284,742)	(306,623)	(348,503)	(348,503)	(422,623)	(501,319)

2.10 Contracts having future budgetary implications

In terms of Councils Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11 Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 49 MBRR SA 34a - Capital expenditure on new assets by asset class

GT484 Merafong City - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	R ef	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure on new assets by Asset Class/Sub-class	1									
Infrastructure		152,447	182,089	142,645	129,075	131,026	131,026	95,755	103,633	136,613
Roads Infrastructure		97,182	152,902	110,346	51,631	38,654	38,654	16,034	22,960	27,920
Roads		97,182	152,902	110,346	51,631	38,654	38,654	16,034	22,960	27,920
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		23,873	19,079	23,220	22,631	31,697	31,697	12,500	16,000	38,470
Power Plants										
HV Substations								2,500		
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks										
LV Networks		23,873	19,079	23,220	22,631	31,697	31,697	10,000	16,000	38,470
Capital Spares										
Water Supply Infrastructure		31,392	7,735	8,782	49,813	55,675	55,675	56,282	55,540	60,000
Dams and Weirs					20,000	20,000	20,000	20,000	30,000	35,000
Boreholes										
Reservoirs										
Pump Stations										

<i>Water Treatment Works</i>									
<i>Bulk Mains</i>									
<i>Distribution</i>	31,392	7,735	8,782	29,813	35,675	35,675	36,282	25,540	25,000
<i>Distribution Points</i>									
<i>PRV Stations</i>									
<i>Capital Spares</i>									
Sanitation Infrastructure	–	1,274	297	–	–	–	2,934	9,133	10,223
<i>Pump Station</i>		1,274	297						
<i>Reticulation</i>									
<i>Waste Water Treatment Works</i>									
<i>Outfall Sewers</i>							2,934	9,133	10,223
<i>Toilet Facilities</i>									
<i>Capital Spares</i>									
Solid Waste Infrastructure	–	1,099	–	5,000	5,000	5,000	8,005	–	–
<i>Landfill Sites</i>		1,099		5,000	5,000	5,000	8,005		
<i>Waste Transfer Stations</i>									
<i>Waste Processing Facilities</i>									
<i>Waste Drop-off Points</i>									
<i>Waste Separation Facilities</i>									
<i>Electricity Generation Facilities</i>									
<i>Capital Spares</i>									
Rail Infrastructure	–	–	–	–	–	–	–	–	–
<i>Rail Lines</i>									
<i>Rail Structures</i>									
<i>Rail Furniture</i>									
<i>Drainage Collection</i>									
<i>Storm water Conveyance</i>									
<i>Attenuation</i>									
<i>MV Substations</i>									
<i>LV Networks</i>									
<i>Capital Spares</i>									
Coastal Infrastructure	–	–	–	–	–	–	–	–	–
<i>Sand Pumps</i>									
<i>Piers</i>									
<i>Revetments</i>									
<i>Promenades</i>									
<i>Capital Spares</i>									
Information and Communication Infrastructure	–	–	–	–	–	–	–	–	–
<i>Data Centres</i>									
<i>Core Layers</i>									
<i>Distribution Layers</i>									
<i>Capital Spares</i>									
Community Assets	22,470	9,642	16,827	2,629	521	521	3,674	–	–
Community Facilities	1,079	7,396	16,827	2,629	521	521	3,674	–	–
<i>Halls</i>		1,162	11,956						
<i>Centres</i>									
<i>Crèches</i>									
<i>Clinics/Care Centres</i>									
<i>Fire/Ambulance Stations</i>									

Testing Stations								
Museums								
Galleries								
Theatres								
Libraries			3,082					
Cemeteries/Crematoria								
Police								
Parks								
Public Open Space								
Nature Reserves								
Public Ablution Facilities								
Markets								
Stalls	1,079	6,234	1,789	2,629	521	521	3,674	
Abattoirs								
Airports								
Taxi Ranks/Bus Terminals								
Capital Spares								
Sport and Recreation Facilities	21,390	2,246	-	-	-	-	-	-
Indoor Facilities								
Outdoor Facilities	21,390	2,246						
Capital Spares								
Heritage assets	-	-	-	-	-	-	-	-
Monuments								
Historic Buildings								
Works of Art								
Conservation Areas								
Other Heritage								
Investment properties	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-
Improved Property								
Unimproved Property								
Non-revenue Generating	-	-	-	-	-	-	-	-
Improved Property								
Unimproved Property								
Other assets	2,989	-	-	18,728	18,922	18,922	23,410	10,100
Operational Buildings	2,989	-	-	18,728	18,922	18,922	23,410	10,100
Municipal Offices	2,989			18,728	18,922	18,922	23,410	10,100
Pay/Enquiry Points								
Building Plan Offices								
Workshops								
Yards								
Stores								
Laboratories								
Training Centres								
Manufacturing Plant								
Depots								
Capital Spares								
Housing	-	-	-	-	-	-	-	-

<i>Staff Housing</i>									
<i>Social Housing</i>									
<i>Capital Spares</i>									
<u>Biological or Cultivated Assets</u>	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
<u>Intangible Assets</u>	270	2,192	555	-	-	-	-	-	-
Servitudes									
Licences and Rights	270	2,192	555	-	-	-	-	-	-
<i>Water Rights</i>									
<i>Effluent Licenses</i>									
<i>Solid Waste Licenses</i>									
<i>Computer Software and Applications</i>	270	2,192	555						
<i>Load Settlement Software Applications</i>									
<i>Unspecified</i>									
<u>Computer Equipment</u>	-	-	-	-	-	-	-	-	-
Computer Equipment									
<u>Furniture and Office Equipment</u>	3,238	5,729	7,401	1,460	1,460	1,460	1,460	1,489	1,519
Furniture and Office Equipment	3,238	5,729	7,401	1,460	1,460	1,460	1,460	1,489	1,519
<u>Machinery and Equipment</u>	-	-	-	-	-	-	-	-	-
Machinery and Equipment									
<u>Transport Assets</u>	-	-	-	-	-	-	-	-	-
Transport Assets									
<u>Libraries</u>	-	-	-	-	-	-	-	-	-
Libraries									
<u>Zoo's, Marine and Non-biological Animals</u>	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals									
Total Capital Expenditure on new assets	1	181,413	199,652	167,428	151,892	151,929	151,929	124,299	115,222

Table 50 MBRR SA34c - Repairs and maintenance expenditure by asset class

GT484 Merafong City - Supporting Table SA34c Repairs and maintenance expenditure by asset class										
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		54,267	28,831	10,882	17,998	17,791	17,791	25,322	25,938	28,532
Roads Infrastructure		32,475	16,622	1,739	1,456	1,249	1,249	1,700	1,870	2,057
Roads		32,475	16,622	1,739	1,456	1,249	1,249	1,700	1,870	2,057
Electrical Infrastructure		4,375	2,258	3,534	3,572	3,572	3,572	5,706	4,361	4,797
LV Networks		4,375	2,258	3,534	3,572	3,572	3,572	5,706	4,361	4,797
Water Supply Infrastructure		3,779	2,715	3,007	7,784	7,784	7,784	8,716	9,588	10,546
Distribution		3,779	2,715	3,007	7,784	7,784	7,784	8,716	9,588	10,546
Sanitation Infrastructure		11,878	6,140	2,602	5,185	5,185	5,185	9,000	9,900	10,890
Reticulation		7,360	1,287	939	5,185	5,185	5,185	3,400	3,740	4,114
Waste Water Treatment Works		4,517	4,852	1,663				5,600	6,160	6,776
Solid Waste Infrastructure		1,761	1,096	-	-	-	-	200	220	242
Landfill Sites		1,761	1,096	-				200	220	242
<u>Community Assets</u>		24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Community Facilities		24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
Halls		24,370	3,933	877	7,312	7,312	7,312	5,277	5,816	6,397
		1	1	1	1	1	1	1	1	1
<u>Other assets</u>		-	836	-	965	965	965	369	395	435
Operational Buildings		-	836	-	965	965	965	369	395	435
Municipal Offices			836		965	965	965	369	395	435
Computer Equipment		-	-	-	725	725	725	800	880	968
Computer Equipment					725	725	725	800	880	968
Total Repairs and Maintenance Expenditure	1	78,637	33,600	11,760	27,000	26,793	26,793	31,768	33,029	36,332
<i>R&M as a % of PPE</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>R&M as % Operating Expenditure</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

Table 51 MBRR SA36 - Detailed capital budget per municipal vote

GT484 Merafong City - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project Information	
										Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
R thousand	4				6	3	3	5								
Parent municipality: List all capital projects grouped by Municipal Vote																
Infrastructure Assets		Khutsong Roads and Stormwater		A	Yes	Roads Infrastructure	Road Structures		25,696		2,586	6,100	6,580	10,430		New
Infrastructure Assets		Kokosi Roads and Stormwater		A	Yes	Roads Infrastructure	Road Structures		14,945		2,229	2,600	4,656	5,460		New
Infrastructure Assets		Wedele Ext 3 Roads and Stormwater		A	Yes	Roads Infrastructure	Road Structures		18,745		775	4,600	6,580	6,790		New
Infrastructure Assets		Construction of Taxi Drop-off zones		A	Yes	Community Facilities	Taxi Ranks/Bus Terminals		2,734		-	2,734	-	-		New
Infrastructure Assets		Kokosi Ext Construction of Roads		A	Yes	Roads Infrastructure	Road Structures		5,558		413	-	5,144	-		New
Infrastructure Assets		Upgrade of Access road to Carletonville Landfill Site		A	Yes	Roads Infrastructure	Road Furniture		5,240		-	-	-	5,240		New
Infrastructure Assets		Street Light Merafong Phase 3		A	Yes	Electrical Infrastructure	LV Networks		21,625		13,155	-	-	8,470		New
Infrastructure Assets		Khutsong South Electrification Phase 5		A	Yes	Electrical Infrastructure	LV Networks		19,357		14,357	5,000				New
Infrastructure Assets		Kokosi Ext 99 Electrification		A	Yes	Electrical Infrastructure	LV Networks		9,643		643	5,000	4,000			New
Infrastructure Assets		Kokosi Ext 6 Electrification		A	Yes	Electrical Infrastructure	LV Networks		42,000		-		12,000	30,000		New
Infrastructure Assets		Main Substation Upgrade - Fochville		A	Yes	Electrical Infrastructure	HV Substations		2,500			2,500				New
Infrastructure Assets		Construction of Carletonville Waste Management Depot		A	Yes	Community Facilities	Waste Transfer Stations		46,997		13,487	23,410	10,100			New
Infrastructure Assets		Rehabilitation of Rooipoort Landfill Site		A	Yes	Community Facilities	Landfill Sites		8,005		-	8,005				New
Infrastructure Assets		Sludge Drying Beds Kokosi/Khutsong		A	Yes	Sanitation Infrastructure	Water Treatment Works		22,290			2,934	9,133	10,223		New
Infrastructure Assets		Replacement of Khutsong Reservoir		A	Yes	Water Supply Infrastructure	Reservoirs		105,000		20,000	20,000	30,000	35,000		New
Infrastructure Assets		Khutsong North Water and Sewer Retreatment		A	Yes	Water Supply Infrastructure	Distribution		60,540		-	10,000	25,540	25,000		New
Community Assets		Informal Trading Area Carletonville Phase 2		A	Yes	Community Facilities	Stalls		3,674			3,674				New
Infrastructure Assets		Internal Services (Khutsong Ext 6)					Distribution		52,564			26,282				New
Parent Capital expenditure	1											122,839	113,733	136,613		

2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
- Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
- Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
- Audit Committee
An Audit Committee has been established and is fully functional.
- Service Delivery and Implementation Plan
The detail SDBIP document will be tabled together with the annual budget
- Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.1.3 Resolutions

1. The Council of Merafong City Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) resolves that:
 - 1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are considered as set out in the following tables:
 - 1.2.1. Budgeted Financial Position
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
 - 1.2.4. Asset management
 - 1.2.5. Basic Service Delivery measurements.
2. The Council of Merafong City Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) resolves that with effect from 1 July 2017:
 - 2.1. the tariffs for property rates – Detailed below
 - 2.2. the tariffs for electricity – Detailed below
 - 2.3. the tariffs for the supply of water – Detailed below
 - 2.4. the tariffs for sanitation services – Detailed below
 - 2.5. the tariffs for solid waste services – Detailed below

3. The Council of Merafong City Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) resolve that with affect from 1 July 2017 the tariffs for other services, as contained in the Tariff Policy.
4. To give proper effect to the municipality's annual budget, the Council of Merafong City Local Municipality considers:
 - 4.1. That the deficit of R189.3 Million will be funded from the accumulated surplus but is not cash backed
5. That the annual Operating Revenue budget of R1.300.1 Million and Operating Expenditure budget of R1.489.4 Million including Operational Transfers and excluding capital transfers for the 2017/2018 Financial Year be considered, which will result in a deficit of R189.3 Million. That the deficit be funded from accumulated surplus.
6. That the annual Capital Budget of R124.3 Million, Including capital transfers for the 2017/2018 Financial Year be considered
7. That the following be considered in respect of Assessment Rates and the charge to be as follows:
 - a) The property rates are to be levied in accordance with Council policies, unless otherwise indicated, and the Local Government Municipal Property Rates Act 2004 and the Local Government Municipal Finance Management Act 2003.
 - b) Property rates are based on values indicated in the new General Valuation Roll. The Roll is updated for properties affected by land sub-divisions, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls. All values are as at the date of the roll, being July 2012.
 - c) Rebates and concessions are granted to certain categories of property usage or property owner.
 - d) The definitions and listing of categories are reflected in the Rates Policy.
 - e) Industrial / Commercial Properties – Undeveloped Land

All properties other than those defined below as residential will be rated as “non-residential” properties. This includes all undeveloped land. The cent-in-the-rand for all “non-residential” properties for 2017 / 2018 is proposed to be R 0,0334.

f) Residential Properties

For all residential properties, as defined per the Rates Policy, the first R 65 000 of property value will be rebated by an amount equal to the rates payable on a property of R 65 000 in value.

All residential properties, as defined per the Rates Policy, will be levied a rate which is rebated by 10%. The cent in the rand for 2017 / 2018 is proposed to be R 0, 0139c

g) Agricultural Properties

Agricultural properties (including farms and small holdings) fall into three categories:

- (a) Those used for residential purposes;
- (b) Those used for industrial purposes;
- (c) Those used for other businesses and commercial purposes

Properties in rural areas deemed to be small holdings or farms that are not used for *bona fide* farming, but are used as residential properties will be categorized as “residential”, provided that they meet the definition of a residential property as described in the Rates Policy. Such properties will qualify for the rebate of the first R 65 000 of municipal value as per the General Valuation Roll and the “rebated” cent-in-the-rand. The cent-in-the-rand for agricultural properties or small holdings that qualify for residential status is proposed to be R 0, 0139c

Properties in rural areas deemed to be small holdings or farms that are not used for bona fide farming, but are used for industrial or business purposes will be categorized as “business”. The cent-in-the-rand for agricultural properties or small holdings that qualify for business status is proposed to be R 0, 0334c

Properties in rural areas deemed to be small holdings or farms that are used for bona fide farming, will be categorized as “agricultural”. The cent-in-the-rand for agricultural properties or small holdings that qualify for agricultural status is proposed to be R 0, 0035c

Public Service Infrastructure

In terms of the Municipal Property Rates Act, Council may not levy rates on the first 30% of the market value of Public Service Infrastructure. The remainder of the market value is rated at the non-residential cent-in-the-rand of R 0, 0035c

h) Mines

All Mine properties, as defined per the Rates Policy, will be levied a rate. The cent in the rand for 2017 / 2018 is proposed to be R 0, 0417c

i) Senior Citizens and Disabled Persons Rate Rebate

Registered owners of properties who are senior citizens and/or registered owners of properties who are disabled persons qualify for special rebates according to gross monthly household income. To qualify for the rebate(s) a property owner must be a natural person and the owner of a property which satisfies the requirements for the residential rebate and must on the 1 July of the financial year:

- I. occupy the property as his/her normal residence and
- II. be at least 60 years of age or in receipt of a disability pension from the Department of Social Development and
- III. be in receipt of a total monthly income from all sources (including income of spouses of owners)
- IV. not be the owner of more than one property and
- V. submit the application by 30 September for this rebate for the current financial year, failing which the rebate will not be granted.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for the 2017 / 2018 financial year as follows:

Gross Annual Household Income 2017/2018	% Rebate
R 1 To R 76 000	100%
R 76 001 to R 80 000	75%
R 80 001 to R 84 000	50%
R 84 001 to R 88 000	25%
R 88 001 and above	0%

j) Rebates for Certain Categories of Properties / Property Users

The categories of properties qualifying for exemption and rebates are as per the Rates Policy.

- k) The Budget for 2017 / 2018 has been balanced using the estimated income from levying the rates proposed in this report.
- l) Provision has been made in the Budget for 2017 / 2018 for the income forgone arising from the rebates and concessions proposed in this report as detailed in the Rates Policy.
- m) that in terms of Section 26(1) of the Municipal Property Rates Act, the payment of any amount owed emanating from the levy of rates as determined on 1 July 2017 is payable before or on 7 August 2017 and thereafter monthly before or on the date due as determined in (i) below: with the provision that the date(s) for payment of assessment rates with regard to owners mentioned in (ii) below shall be determined as follows:

As regards one half, on 7 October 2017

as regards the balance, on 7 April 2018;

(i) that the payment shall be as follows:

Other:

7 August 2017

8 September 2017

7 October 2017

7 November 2017

8 December 2017

7 January 2018

9 February 2018

9 March 2018

7 April 2018

7 May 2018

8 June 2018

7 July 2018

Pensioners:

15 August 2017

15 September 2017

15 October 2017

17 November 2017

15 December 2017

15 January 2018

16 February 2018

16 March 2018

15 April 2018

15 May 2018

15 June 2018

15 July 2018

(ii) that the following Mines as well as the responsible state institution may pay in accordance with (n) :

Mines

Department of Public Works

that interest be levied at the rate as determined from time to time by the Premier in terms of Section 50(A) of the Local Government Ordinance, 1939, (Ordinance 17 of 1939) which has been determined at prime rate with effect from 1 December 1997 by the Department of Finance on all arrear charges, rates and levies from the day following the due dates as determined in (ii) (d) and (ii) (e) above;

- 8 That the following electricity tariffs be considered in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Electricity of the Merafong City Local Municipality, provided that the tariffs are approved by the National Electricity Regulator.

Proposed Tariff Structure - Merafong City Local Municipality				
Tariff Category		2016-2017	2017-2018	% change
1. Domestic				
Basic Charge		69.85	75.44	8.00%
Energy Charge	Block 1 (0 - 50kWh)	0.84	0.88	5.00%
	Block 2 (51 - 350kWh)	1.08	1.14	6.00%
	Block 3 (351 - 600kWh)	1.52	1.61	6.00%
	Block 4 (above 600kWh)	1.79	1.92	7.00%
2. Commercial				
Basic Charge		798.10	845.99	6.00%
Energy Charge		1.45	1.54	6.00%
*Pre-Paid		1.49	1.58	6.00%
3. Industrial				
Basic Charge		1158.40	1227.90	6.00%
Energy Charge		0.89	0.94	6.00%
Demand Charge		210.60	223.24	6.00%
3. Industrial -3%				
Basic Charge		1158.40	1227.90	6.00%
Energy Charge - 3 %		0.89	0.94	6.00%
Demand Charge -3%		210.60	223.24	6.00%
Temporary Power		1.58	1.68	6.00%
Streetlights		0.88	0.94	6.00%
Council kWh		0.88	0.94	6.00%

9. that the following Water Tariff be considered and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Water of the Merafong City Local Municipality.

		<u>2016-2017</u>	<u>2017-2018</u>	<u>Percentage increase</u>
Residential 0 – 15 kiloliters		10.30	11.00	6.75%
Residential 16-35 kiloliters		14.00	15.45	10.36%
Residential 36-50 kiloliters		20.30	25.00	23.15%
Residential 50 kiloliters and above		23.15	30.00	29.59%
Business and Industrial	200 Kiloliters and below	22.70	25.20	11.01%
	Above 200 Kiloliters	24.65	30.00	21.70%
Special Consumers (Schools, Churches and welfare organisations)	200 Kiloliters and below	17.15	18.90	10.20%
	Above 200 Kiloliters	19.25	25.00	29.87%
Departmental		15.10	16.70	10.60%
Mines Domestic		14.90	16.45	10.43%
Mines Operations		14.90	16.45	10.43%
Availability Charge	Vacant Stands - Residential	58.25	64.50	10.73%
Availability Charge	Vacant stands-business	58.25	64.50	10.73%

- 11 that the following Refuse Removal Tariff be considered and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Cleaning Services of the Merafong City Local Municipality:

CLEANSING: (PLUS V.A.T.):

		<u>2016-2017</u>	<u>Proposed 2017/2018</u>	<u>% Increase</u>
Residential and Business	1 bin/week	140.00	155.00	10.71%
Business	Bin/3 x week	365.00	405.00	10.96%
Business	Bin/5 x week	615.00	680.00	10.57%
MMH (1.75M³) 1x per week		1,770.00	1,950.00	10.17%
MMH (1.75M³) 2x per week		3,065.00	3,380.00	10.28%
MMH (1.75M³) 3x per week		4,355.00	4,800.00	10.22%
MMH (1.75M³) 5x per week		7,885.00	8,700.00	10.34%
Bulk container (30M³) 1x per week		24,950.00	27,500.00	10.22%
Bulk container (30M³) 2x per week		38,015.00	42,000.00	10.48%
Bulk container (30M³) 3x per week		68,620.00	75,500.00	10.03%
Bulk container (30M³) 5x per week		111,815.00	124,000.00	10.90%
Temporary service	Per Bin	66.00	73.00	10.61%
Bulky waste	Per m³	310.00	340.00	9.68%
Special Exemption	Per m³	155.00	170.00	9.68%
Garden services waste	LDV/Trailer	45.00	50.00	11.11%
Small Animal Carcasses		120.00	132.00	10.00%
Bulky garden waste	1m³ - 3m³	295.00	325.00	10.17%
Bulky garden waste	3m³ and above	590.00	650.00	10.17%
Building rubble	per m³	310.00	342.00	10.32%
240 Liter Bins	Per Month for twelve months	24.00	26.50	10.42%

- 12 And that the following Sewerage Tariff be considered and that the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Drainage Services of the Merafong City Local Municipality:

		<u>2016-2017</u>	<u>2017-2018</u>	<u>% Increase</u>
Residential 0 – 15 kiloliters		4.70	5.00	6.38%
Residential 16-35 kiloliters		4.75	5.10	7.37%
Residential 36-50 kiloliters		4.80	5.20	8.33%
Max 50KL				
Business and Industrial	200 Kiloliters and below	4.80	5.20	8.33%
	Above 200 Kiloliters	5.35	5.80	8.41%
Special Consumers (Schools, Churches Welfare organisations and consumers as approved by council)	200 Kiloliters and below	4.70	5.00	6.38%
	Above 200 Kiloliters	4.80	5.20	8.33%
Basic Charge (Payable by property owner)		26.90	50.00	85.87%
Basic Charge - Vacant Stands (Availability charge		59.15	63.00	6.51%

- 13 That Council considers the amendments to the Tariff Policy.
- 14 That Council considers the amendments to the Rating Policy.
- 15 That Council considers the amendments to the budget related policies of Council.
- 16 That council considers the miscellaneous tariffs as included in the tariff policy and that the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) and that the current Property Rates By-law be replaced with the attached Property Rates By-law as recommended by CoGTA and promulgated as such.
- 17 That in the event that NERSA tariff approval differs from the tariffs considered by council that the NERSA tariffs be implemented.
- 18 That the budget be made public and invite the local community to submit representations in connection with the budget before 30 April 2017.
- 19 That a budget consultation program be developed in conjunction with the office of the Speaker, which must include a workshop with all councillors.
- 20 That council must consider any views of the;

The local community and

National Treasury and Gauteng Provincial Treasury.

2.1.4 Municipal manager's quality certificate

I Langa Reginald Thibini, Acting Municipal Manager of Merafong City Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Merafong City Local Municipality (GT484)

Signature _____

Date _____